Austria	Sch22	Indonesia	Rp3100	Portugal	Esc120
Bahrain	Din0.650	Israel	IS3.50	S.Arabia	Rls7.00
Belgium	BFr48	Italy	L1700	Singapore	S$4.10
Canada	C$1.00	Japan	Y600	Spain	Pta145
Cyprus	C£0.90	Jordan	Fils500	Sri Lanka	Rup30
Denmark	DKr10.00	Kuwait	Fils500	Sweden	SKr9.00
Egypt	E£2.25	Lebanon	$US1.00	Switz	SFr2.30
Finland	Fmk7.00	Lux	LFr48	Taiwan	NT$65
France	FFr6.50	Malaysia	Ringgit4.25	Thailand	Bht50
Germany	DM2.50	Mexico	Peso300	Tunisia	Din0.800
Greece	Dr120	Morocco	Dh6.00	Turkey	L600
Hong Kong	HK$12	Neth	Fl3.00	UAE	Dh6.50
India	Rup15	Norway	NKr10.00	USA	$1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,646 Tuesday September 20 1988 D 8523 A

ITALIAN PARTIES
Industry goes on the menu
Page 24

World News

Fears grow over health of Emperor Hirohito

The chief physician to Japanese Emperor Hirohito entered the Imperial Palace late last night as concern grew over the 87-year-old Emperor's health. He was running a fever for the second consecutive day "in the 38C (100.4F) range" imperial household sources said.

Television reports quoted government sources as saying the Emperor had vomited blood, but was resting quietly. All Tokyo television stations suspended normal programmes and carried live broadcasts from the palace. The Emperor's son, Crown Prince Akihito, went to the palace shortly after 2am.

Botha-Kaunda talks

Plans are afoot for a meeting between President Botha of South Africa and Zambia's President Kaunda, to discuss recent southern African peace initiatives. Page 24

Messner resigns

Zbigniew Messner, Poland's Prime Minister under fire for mismanaging the economy, offered his Government's resignation to Parliament. Page 24

Haiti coup aftermath

Lt-Gen Prosper Avril began to form a new Haitian Government after toppling Gen Namphy in a weekend coup. The official US view on the change remained cautious. Page 4

Grain talks fail

US and Soviet officials met secretly last weekend in Vienna to negotiate a new grain pact but a US negotiator said no deal was reached.

Israel Cabinet row

Israel's coalition faces a cabinet crisis before the November election over plans to cut the budget by 300m shekels ($184m). Page 3

Iceland talks

Iceland President Vigdis Finbogadottir asked Progressive Party leader Steingrimur Hermannsson to form a government to replace the centre-right coalition which collapsed on Saturday.

Soviet trade bid

A delegation from Moscow arrived in Manila to try to develop barter trade with the Philippines. Page 3

Malay MPs rebel

A group of Malay MPs from the defunct UMNO party has made a final break with Dr Mahathir Mohammed, the Prime Minister, possibly to form a "grand opposition alliance". Page 3

Kurds visit

The International Committee of the Red Cross sent two delegates to Turkey at Ankara's request to assess needs of Kurdish refugees from Iraq. UN gas probe, Page 3

Salvador paralysed

Leftist guerrillas fighting the El Salvador Government imposed the year's fifth transport ban on roads nationwide. Radio stations estimated effectiveness at 90 per cent.

Tokyo tops the bill

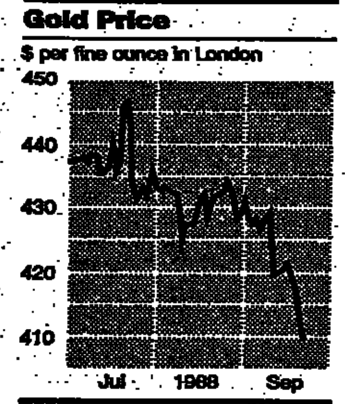
Tokyo is the world's most expensive city, according to a Union Bank of Switzerland survey. Compared with Zurich (base=100), an index put the Japanese capital top with 194.4, followed by Oslo 113.1, Helsinki 106.2, and Geneva 102.6.

Business Summary

Japan takes tough action on insider dealing

DIRECTORS of publicly quoted Japanese companies will be obliged from next month to disclose dealings in their own companies' shares, in a tough new regulatory code announced by the country's Ministry of Finance. Page 25

GOLD PRICE fell again on world markets and closed in London at $409.50 a troy ounce, down $2.50 on Friday's close and the lowest level for 18 months. Page 48



GLAXO, Britain's largest drugs company, unveiled a 12 per cent increase in pre-tax profits and chairman Sir Paul Girolami said it was only a question of time before the group would top the world league table for pharmaceutical sales. Page 25

ITALY'S ENI state energy group is holding talks with two or three of the world's leading oil producers which are aimed at achieving a joint venture accord in the downstream petroleum distribution sector. Page 25

COATS VIYELLA, the largest textile group in Europe, saw its share price slide by 21p to 178p when it announced a fall in pre-tax profits from £81m to £78m in the first half of the year. Page 25

APPLE COMPUTER and Compaq Computer both launched high-performance personal computers in an assault on IBM's stronghold in the corporate computing market. Page 26

WORLD BANK is preparing to extend Argentina $700m in fresh loans, probably to be disbursed in October, according to bank president Barber Conable. Page 4

ROBERT Holmes à Court, the Australian entrepreneur, denied that he had been in breach of Stock Exchange rules when he bought shares in Standard Chartered shortly before announcement of last week's rights issue. Page 33

PILLSBURY, the US foods group which includes the Burger King restaurants, is selling its 590-strong Godfather's Pizza chain to a buyout group led by management for undisclosed terms. Page 28

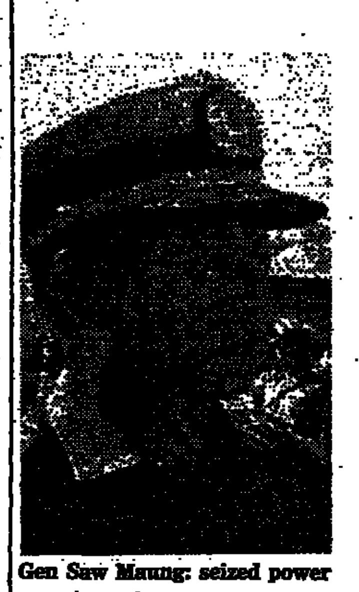
NEW ZEALAND Government named Qantas, the Australian airline, as its preferred bidder for a 25 per cent stake in Air New Zealand, the state flag carrier. Page 25

AMERICAN BRANDS, diversified US cigarette producer, has vigorously denied speculation that it might buy Liggett Group, its competitor at the lower end of the US tobacco industry. Page 26

TURKISH capital market instruments sold through banks and intermediaries totalled 6,626bn lira in the period January-July 1988, up 127 per cent on the same 1987 period, the Capital Markets Board announced. Page 32

COFFEE producers and consumers started talks in London aimed at stabilising prices with some delegates optimistic that a price support deal could be reached.

Burmese troops in ruthless drive to quell protests


Gen Saw Maung: seized power

TRUCKLOADS of heavily-armed troops moved through the streets of Rangoon yesterday, firing without warning into groups of demonstrators as the Burmese regime battled ruthlessly to retain its weakening grip on power, Roger Matthews in Bangkok writes.

Hundreds of young people were reported killed and wounded. Many lay on the streets for hours after they were hit, bleeding and crying for help. The Burmese Red Cross appealed to Western embassies in the capital for drugs and medical supplies as official stocks were almost exhausted.

Shooting was heard from many parts of the city with students and Buddhist monks erecting barricades faster than the army could tear them down. A Western diplomat described the situation as pitiful, adding that he feared it could worsen as the demonstrators showed no sign of being driven from the streets.

The 26-year-old regime's resolve to make a further attempt to crush the popular revolt which in the past month has made Burma ungovernable was signalled on Sunday when Gen Saw Maung, Defence Minister, was appointed to head an entirely military regime.

The announcement of a dusk-to-dawn curfew has been widely ignored, as has been the demand that government employees should return to work.

There were reports during the day that student groups had taken over at least three police stations and had attacked army vehicles, seizing rifles and ammunition.

Burma Radio continued to broadcast military music, punctuated by warnings to the demonstrators. Later it said nine soldiers had been killed in the street fighting.

Monks were seen in several locations pleading with the troops not to open fire and, according to one witness, appeared to have been partly successful.

However, there were also reports of students and other demonstrators amassing a variety of crude weapons, including petrol bombs, swords, and "jinglees" - sharpened bicycle spokes fired from catapults.

Two opposition leaders, former Gen Tin U and Aung Sang Suu Kyi, the daughter of the leader of Burma's fight for independence from Britain, issued statements appealing for an end to the bloodshed.

The violence in the capital was the worst since the regime last attempted in early August to reassert its authority by force. The failure of that attempt, in which more than 1,000 people died, resulted in most of the army being withdrawn to barracks and a period of negotiation between the opposition forces and the regime.

Student leaders believe the regime took advantage of the relative calm to bring into Rangoon additional troops who did not have any family ties in the capital. They said that these men, from mainly rural areas, were less likely to question orders to fire on unarmed demonstrators.

There were also reports yesterday of clashes in other Burmese cities, including Mandalay, the second largest. However limited communications made it impossible to verify their extent or seriousness.

Israelis launch satellite from secret site

By Eric Silver in Jerusalem

ISRAEL yesterday became the eighth country to launch its own satellite into space.

Officials insisted that its purpose was purely civilian, but the long-term implications will not be lost on Israel's Arab neighbours.

State television broke into a live transmission from the Seoul Olympics to announce the launch, which was shown on a later bulletin. The launch site remained secret.

The satellite, known as Ofek (Horizon) One, went into an elliptical orbit ranging from 250km to 1,000km above the earth's surface, circling the globe from east to west every 90 minutes. It is meant to burn itself out after a month.

Unconfirmed reports have suggested that Israel's Jericho II missile launcher was used.

The satellite is planned as the first of an experimental series under a programme estimated to run into tens of millions of dollars.

Israel is by far the smallest of the states to have proved themselves capable of putting satellites into space, and the only one in the Middle East.

The launch followed a week-end of rumours that Israel was planning to send up a spy satellite, although independent experts maintained that Israel could never afford the cost of collecting the level of information 24 hours a day that the Americans and the Soviet Union gain from their high-altitude technology.

Professor Yuval Ne'eman, chairman of the Israel Space Agency, said last night the object was to test Ofek One in space. The agency wanted to see how the materials and millions of delicate parts withstood the demands of extremely low temperatures and of operating in a vacuum. It was also testing the solar energy system and the quality of transmission.

Dr Ne'eman, an eminent nuclear physicist and right-wing politician, said the Ofek programme had no defence application, although the authorities took a small group of local military correspondents to observe the launch.

Dr Ne'eman said Israel was looking ahead to the commercial bonus of going into space.

"It would be a terrible mistake if Israel ignored a market that has already risen above $10bn. At present we are consumers in that market. This satellite gives us the chance to go into it as suppliers."

Safra to establish European bank with $1bn capital

By David Lascelles, Banking Editor, in London

MR EDMOND SAFRA, one of the world's best-known but least seen bankers, is to launch a large new banking venture in Europe aimed at the market for wealthy individuals.

The new bank, Safra Republic Holdings, will have nearly $1bn of capital, up to $300m of which will be raised by an issue of equity on the Euro-markets.

Mr Safra said in a rare public statement yesterday that he saw "a flourishing market" for private banking services, particularly in the light of the European Community's plans for integration in 1992 which would create the largest banking market in the world.

The core of the new bank will be created out of the European operations of Republic New York Corporation, the New York-based bank in which the 56-year-old Mr Safra has a 35 per cent shareholding. These operations, which have branches in Switzerland, France, Luxembourg, Guernsey and Gibraltar, have net assets valued at $430m.

To this will be added a personal investment of $200m by Mr Safra himself, which he will raise by liquidating various money market holdings. The investment will be made through Saban, Mr Safra's Panama-registered bank holding company. The rest of the capital, some $250m-$300m, will be raised by means of a public placement arranged by Shearson Lehman Hutton International, the Wall Street investment bank.

Mr Safra will become chairman of Safra Republic, and its dominant individual shareholder by virtue of his direct personal investment, and indirectly through his interest in Republic New York, which will have 49 per cent. The public shareholders will own about 30 per cent.

The new bank marks a return to the European market by Mr Safra who sold his first bank, the Geneva-based Trade Development Bank, to American Express in 1983 for $520m. Since then his principal banking interests have been in North and South America, although he has other business interests in Europe.

Mr Safra stressed yesterday that Safra Republic will adopt the same conservative management policies which have characterised his other banking ventures: it will have a large capital base, a strong balance sheet and high liquidity. It will be aimed principally at wealthy individuals who are concerned as much about the safety of their private wealth as obtaining a profit on their investments.

The bank's operations in the various countries will be managed by local staff, which will make it more of a federation of national banks than a single tightly-knit entity. Mr Safra said that wealthy Europeans preferred their banks to be managed by people from their own country rather than foreigners. "We will try to give as much independence to each bank as possible," he said.

The new capital will constitute one of the largest Euro-equity issues ever made for a bank. The underwriting group headed by Shearson includes Merrill Lynch, Salomon Brothers, Union Bank of Switzerland, S. G. Warburg, Bear Stearns and an international management group.

Mr Peter Cohen, the chairman of Shearson, described the issue as "an opportunity to invest in Mr Safra."

Although the market for bank stocks was poor at the moment because of worries about bad loan problems, he said he expected the Safra issue to be different. "Mr Safra's record speaks for itself," he said.

Mr Safra, who lives in Geneva, has acquired a near legendary reputation in banking circles for his ability to generate wealth and attract well-heeled clients. Heir to a long-established Lebanese banking house, his family has since dispersed to Europe and America, where they set up several more banks.

Republic New York, now his biggest banking investment, has grown in 20 years to be one of the largest and most consistently profitable in New York. Sixth sense for the money, Page 23

W German trade surplus shows sharp increase

By Andrew Fisher in Frankfurt

WEST GERMANY'S trade surplus rose sharply in the first seven months of this year, leading economists to forecast that the country could again come under pressure to stimulate domestic demand in order to promote imports and dampen exports.

In the first seven months, exports exceeded imports by DM70.3bn ($38bn), the Federal Statistics Office said.

Mrs Petra Ott, an economist with Citibank in Frankfurt, said a reduction of "the high surpluses is not in sight." While imports rose by 4 per cent to DM246.3bn, exports expanded at 4.6 per cent to DM316.5bn.

Because of its much higher than expected economic growth rate this year, Germany is unlikely to come under severe criticism at the forthcoming annual meeting of the International Monetary Fund in Berlin.

Official and independent predictions are for growth this year of some 3 per cent after only 1.7 per cent in 1988.

But much of the renewed growth has come from higher exports.

Industry in Germany's leading trade partners – including France, Italy, and the UK – has been engaged on a modernisation and expansion phase, which has benefited German exporters in the engineering sector.

Next year, the surpluses could grow even more, according to some economists.

"Germany will continue to see its trade and current account surpluses go up," said Mr Nigel Hugh-Smith, an economist with Hoare Govett, the UK stockbroking firm.

Moreover, "a lot of capital goods are not price-sensitive." The D-Mark's weakening against the yen this year had also given German exporters an edge over Japanese competition.

Also released yesterday were current account figures, showing a DM45.4bn surplus in January to July, slightly up on the same period of last year.

In July alone, exports were 3.5 per cent higher than a year ago and imports only 1.2 per cent higher, leading to a trade surplus of DM11.1bn against DM9.9bn in July, 1987, and DM14.2bn in June this year.

Mr Ulrich Ramm, chief economist with Commerzbank, said the figures were "incredibly high."

The bank has criticised the recent tightening of German monetary policy and rise in interest rates, designed both to ward off inflation and strengthen the D-Mark, whose weakness has also benefited German exporters.

German policymakers might come under muted criticism at the IMF meeting in Berlin, he thought.

"Germany has to do something to even out its surpluses. A restrictive monetary and fiscal policy does not fit into the German economic landscape."

Details, Page 2

Soviet reform confusion sends planning system towards chaos

By Quentin Peel in Moscow

THE HIGHLY-centralised Soviet planning system appears to have been reduced to a state of virtual chaos, with state enterprises flatly refusing to fulfil their plan "targets", because of the tentative introduction of reforms.

A startling picture of the breakdown of communications between Gosplan (the once all-powerful central planning authority), Gossnab (the state supply body) and individual industries and ministries has emerged from an extraordinary meeting of the Soviet Council of Ministers, summoned to finalise the 1989 plan.

At the heart of the confusion is the reform intended drastically to reduce the volume of production subject to "state orders" and to replace them with factory-to-factory trade.

What has happened instead, according to an authoritative report in the newspaper Pravda, is that enterprises are refusing to accept the state orders, but have failed to replace them with alternatives.

The Council meeting, partial reports of which have already been published, ended with Mr Nikolai Ryzhkov, the prime minister, saying: "If we do not succeed in coping with this 1989 plan, then we will have practically no hope of making up for omissions in the past."

The main issue at the meeting was the failure of "many industries and spheres of production" to produce balanced plans, so that total inputs match total outputs. They appear to have rebelled against a system which on one hand has ordered widespread "self-financing" at plant level, but on the other has failed to reduce the volume of production firms are forced to sell to the central government.

"A number of enterprises are either refusing to fulfil supply plans, or are considerably cutting back on them," Pravda said. "Discussion of the problem revealed that horizontal (economic) contract ties between enterprises have largely not been established, but vertical (administrative) ties have largely been broken: unilaterally disrupted."

Examples quoted at the meeting included the production of electric trains, to be cut back by 31 per cent, and railway carriages by 23 per cent, compared with the plans laid down in the five-year plan.

One factory intended to cut carriage production by 25 per cent next year. "But how does your factory intend to earn money to pay salaries?" Mr Ryzhkov asked the minister responsible. By fulfilling the plan in rouble terms and increasing prices, he was told.

The meeting was told by Mr Lev Voronin, chairman of Gossnab, that for 1,000 state-controlled products, more than

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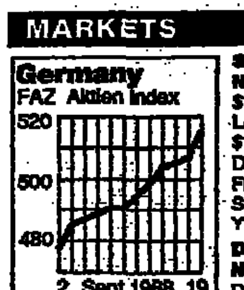
Ethnic violence flares, Page 2

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8% ($8\frac{1}{16}$)
3-mth Treasury Bills: yield: 7.356% (7.38)
Long Bond: 100¾ (101 $\frac{7}{16}$)
yield: 9.044% (9.01)
London
3-month interbank: close $12\frac{7}{32}$% (same)

STERLING
New York lunchtime
$1.6785 (1.679)
London:
$1.6785 (1.6755)
DM3.1375 (3.145)
FFr10.6825 (10.685)
SFr2.65 (2.6625)
Y224.25 (225.0)

DOLLAR
New York lunchtime
DM1.86825 (1.871)
FFr6.3495 (6.36)
SFr1.57825 (1.581)
Y133.575 (134.75)
London:
DM1.8695 (1.876)
FFr6.3625 (6.3775)
SFr1.5795 (1.5835)
Y133.55 (134.25)

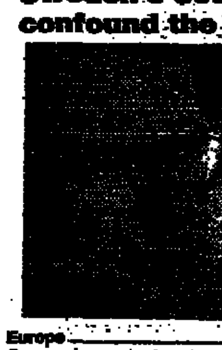
GOLD
New York lunchtime:
Comex Dec
$415.4 (418.2)

STOCK INDICES
New York lunchtime
Dow Jones Ind. Av.
2,075.92 (-22.23)
S&P Comp
266.03 (-2.62)
London:
FT-SE 100
1,759.9 (-6.8)
World:
124.91 (Fri)
Tokyo
Nikkei Ave
27,901.0 (+34.62)
Frankfurt
Commerzbank
1,565.2 (+22.6)

OIL
Brent 15-day (Argus)
$13.135 (-0.35) (Oct)
West Tex Crude
$14.475 (-0.22) (Oct)

CONTENTS

Sweden's Social Democrats confound the opinion polls



Prime Minister Ingvar Carlsson's surprisingly easy election win reflects the tenacious loyalty of a large section of voters towards his party. It totally confounded all the opinion poll findings.
Page 2

EUROPEAN NEWS

Ethnic violence flares again in Soviet republics

By Quentin Peel in Moscow

THE simmering ethnic tension between the neighbouring Soviet republics of Armenia and Azerbaijan blew up again on Sunday when 25 people were wounded in a bloody clash in the disputed enclave of Nagorny Karabakh.

Firearms were used in the clash, and 17 people taken to hospital in the worst violence reported since race riots in the Caspian city of Sumgait left 32 dead last February.

The clash comes just one week after the re-launch of a general strike by ethnic and largely Christian Armenians in the enclave, which is governed by the mainly Moslem republic of Azerbaijan.

The strike in turn was apparently sparked by the continuing flow of thousands of refugees between the two rival republics, in spite of efforts by the Soviet government, and the Communist Party leaders on both sides, to calm the situation.

Sunday's confrontation was reported last night by the official news agency Tass, in contrast to a tradition of ignoring all such events and reporting only the political response.

The agency said that "mass-scale fights" between Armenians and Azeris had broken out in the village of Khadzhaly outside Stepanakert, and "firearms and side-arms were used on both sides."

It confirmed that tension had come to a head in Stepanakert in recent days, blaming troublemakers involved in "corruption, bribe-taking and theft" for provoking strikes, a boycott of classes by teachers and students, an attack on the regional public prosecutor's office, and attacks on both policemen and soldiers.

The town has now reportedly been sealed off with road-blocks, and Tass said all further rallies, demonstrations and marches had been banned.

Earlier reports said the trouble began when Azerbaijanis stoned and fired on a bus carrying Armenian students to work as a construction brigade

Although Tass said the situation had improved since July, when the Supreme Soviet in Moscow rejected a demand by Nagorny Karabakh to be transferred to the authority of Armenia, the latest clash suggests otherwise.

More than 5,000 Azeri refugees are said to have fled Armenia in August alone, according to the local radio, and a considerable number have been settled in Shusha, inside the disputed Nagorny Karabakh enclave. It was in protest at that move, feared as an attempt to dilute the Armenian majority in the region, that the general strike was called last week.

The entire region was paralysed for three months earlier this year by a general strike demanding that Nagorny Karabakh be transferred to Armenia – a demand that was flatly rejected by the Supreme Soviet in Moscow, and the authorities in Baku, the Azerbaijan capital.

Thousands of Armenian citizens of Azerbaijan fled earlier in the year after a bloody race riot in the city of Sumgait, which left 32 dead. Since then, all attempts to calm Armenian fears have apparently failed, while the Armenian protests have fuelled countering resentment among Azeris.

Mr Gennady Gerasimov, the Soviet government spokesman, said yesterday that the situation in the region was once again "very tense," although he could not confirm details of the attack on the bus.

The ethnic tension in the Trans-Caucasus presents a acutely sensitive problem for Mr Mikhail Gorbachev, the Soviet leader, for it has blown up largely as a result of the liberalisation and freer expression he introduced.

US puts pressure on Spain over bases

By Peter Bruce in Madrid

THE US is putting Spain under intense pressure to reach a new agreement on the presence of US forces that would strain, if not break, Madrid's 1986 referendum promise not to allow the introduction of nuclear weapons into the country.

In a television interview Mrs Margaret Thatcher, the British Prime Minister, warned that Spain must accept fully the principles and conditions of the seven-nation Western European Union (WEU) – including the modernisation of nuclear forces – if it wants its membership application to be approved. Mrs Thatcher is due in Spain on Thursday.

Madrid and Washington have been haggling over drafts of a new bases agreement since early this year when the US bowed to Spain's demand that it withdraw 72 F-16 fighters from their base at Torrejon near Madrid. It was thought then that agreement on a new treaty would be swift.

Instead, the negotiations at official level and led on the American side by the US Ambassador to Madrid, Mr Reginald Bartholomew, have dragged on with the two sides at loggerheads over whether or not nuclear weapons may be brought into Spain.

Mr George Shultz, the US Secretary of State, and Mr Fransisco Fernandez Ordonez, the Spanish Foreign Minister, have met but have been unable to break the deadlock.

In a controversial referendum in 1986, Mr Gonzalez campaigned for Spain's continued membership of Nato, while also promising that nuclear weapons would not be introduced into Spain.

The Government knows that to flout openly the referendum promise could cause a political storm. But the Americans, who also face difficulties with their bases in Greece and the Philippines, appear to have dug their heels in.

Mr Bartholomew spent last week in Washington holding consultations on the issue. One way out of the present impasse might be for Spain to give ground on the two other issues dogging the talks: who has jurisdiction over US soldiers who commit crimes in Spain, and what legal and contractual arrangements should apply to local workers and works contracts.

But Spain's dilemma is that a flat "no" to the movement of US nuclear forces through or over Spain, or even at Spanish ports, could damage its application for WEU membership.

Mr Gonzalez is very keen to join, but experts believe it would be very difficult for him to impose on the European body the same conditions now being put to the Americans. The "Platform of European Security Interests," a document adopted by the WEU, says an "adequate mix of appropriate nuclear and conventional forces" is essential.

Mrs Thatcher's remarks make it clear that Britain will not tolerate any conditions being set upon Spanish membership.

Sweden's Social Democrats confound the opinion polls

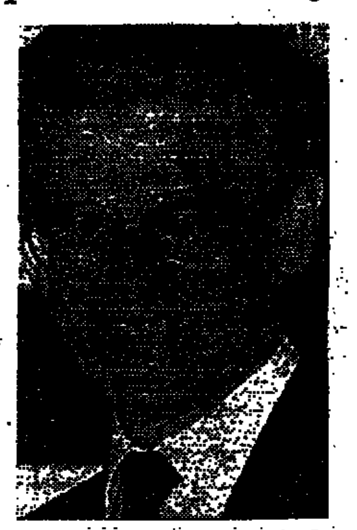
Robert Taylor reports on Sunday's election

THE Swedish general election on Sunday turned out to be a comfortable victory for the Social Democrats, confounding the opinion polls that had almost all predicted that Sweden was heading into a period of political instability where it would be difficult for any party to govern. In fact, the outcome emphasised the extraordinary *durability of Social Democracy,* despite the summer of scandals over the inquiry into the murder of the country's last prime minister Mr Olof Palme.

The party polled 43.7 per cent of the total vote, down by 1 per cent on the 1985 result and it has 156 seats in Parliament, a fall of three.

Mr Ingvar Carlsson, the Prime Minister, praised the organisational strength of his party for the victory – the Social Democrats retain one of the most professional grass-roots machines in the democratic world. But his surprisingly easy success also reflects the tenacious loyalty towards Social Democracy of a big section of the electorate. Over 42 per cent of voters have voted Social Democrat in every general election since 1932, though only in 1968 did the party ever win over 50 per cent.

A geographical breakdown of the *Social Democratic vote* last weekend suggests that the party does best in the small and medium-sized industrial towns of the north and central regions of the country. Its weakest points are the big urban areas around Stockholm and Gothenburg, though the party did recapture power from the centre-right on Malmö city council on Sunday.



Invgar Carlsson: Surprisingly easy victory

The Greens have arrived in the Swedish Parliament for the first time. But with 5.5 per cent of the poll (compared with 1.5 per cent three years ago) and 20 seats in Parliament they won less than had been expected on the opinion poll evidence and failed to secure the balance of power.

One of the mysteries of Sunday's election is where their votes came from. A regional breakdown suggests they do best not in outlying rural districts but in larger urban areas. Their best vote was in Gothenburg (7.9 per cent) followed by Stockholm (6.9 per cent). But they appear to have attracted electoral support from across the traditional right-left spectrum and in larger numbers from the so-called bourgeois parties.

In fact, the reformist Communist Party polled better than the Greens, winning 5.9 per cent of the vote (21 seats in Parliament), its best result since 1949.

There is a real possibility of a new balance of forces inside Swedish politics in a red-green bloc made up of the Greens, the Communists and the Centre party bound together by a hostility to growth, the European Community and the market economy. But it is doubtful whether they can solidify into an effective force in Parliament.

The election turned out to be a disaster for the right-wing parties. The Moderates won 18.3 per cent, down 3 per cent on 1985 and its worst result since 1976, giving it 66 seats, a decline of 10. But the real disappointment was for the Liberals who under Mr Bengt Westerberg's telegenic leadership did so well three years ago. This time their vote fell from 14.3 per cent to 12.2 per cent (44 seats, down by 7).

The other party in the centre-right bloc – the Centre Party – saw a slight improvement in its support, up from 9.9 per cent to 11.4 per cent, but its seat allocation fell from 44 to 42. The so-called bourgeois bloc vote of 41.9 per cent was their worst performance since 1944. Many of their losses must have gone to the Greens.

The economic outlook for Sweden is rather uncertain. Despite signs of overheating there are not expectations of any immediate moves to restrain the *economy* before the budget in January but commentators believe that Mr Kjell-Olof Feldt, the Finance Minister, will have to damp down domestic consumption over the next few months as a way of stabilising the economy.

In short, it looks as though in Sweden it is back to business as usual.

Blow to image of refugee haven

By Sara Webb in Stockholm

SWEDEN'S reputation as one of the world's most hospitable asylums for refugees has suffered a serious blow.

In a referendum on Sunday, the people of Sjöbo, a farming community in the southern part of the country with virtually no foreigners, voted overwhelmingly against accepting immigrants foisted on them by the authorities.

Sjöbo residents maintain that foreigners would take advantage of the local welfare and social services, and cause unemployment. Ironically, the area suffers from acute labour shortages.

National politicians have sworn to place the xenophobes of Sjöbo in "political quarantine." The real fear is that other local authorities will follow the example.

Discussions on whether to accept immigrants have already taken place in other local authorities both in the affluent south and in the northern area around Pajala, a town with above-average unemployment and which recently shot to fame when its menfolk advertised abroad for marriage partners.

The Sjöbo incident has proved a severe political embarrassment for the Centre Party, as it was their local branch members, led by Mr Sven-Olle Olsson, who pushed hard for the referendum, advocating the "No to refugees" vote and distributing extreme-rightist literature.

"I regret very much the No majority . . . I think they have gone beyond the limits of decency," said Mr Olof Johansson, the Centre Party leader.

EC credit card rules in balance

By William Dawkins in Brussels

PLANS to guarantee minimum protection for the EC's 80m users of plastic payments cards hung in the balance yesterday after a meeting of senior European Commission advisers failed to reach a firm conclusion over the controversial scheme.

The 17 commissioners will attempt at their weekly meeting tomorrow to decide the fate of the draft directive, which has attracted fierce criticism from banking lobbyists and the Dutch Government, supported by the UK.

It is being promoted by Mr Grigoris Varfis, the Greek Commissioner for Consumer Protection. But the crucial question of its legal enforceability has run into reservations from his two French colleagues at the head of the Brussels executive, including Mr Jacques Delors, Commission President.

They want the plan to be presented as a recommendation, which has almost no legal force, rather than a legally binding draft directive, on the grounds that they do not wish to stifle the fast developing electronics payments industry with unnecessary regulation.

The directive would force card issuers to take full liability if holders lost their cards through no fault of their own.

Several card companies already do assume that level of liability, but they do so through contracts with card holders, rather than by law. They feel they should have the freedom to go on setting their own contract conditions, an important element of competition between card issuers.

German growth beats forecasts

By Andrew Fisher in Frankfurt

WEST GERMANY'S economy continues to perform more robustly than expected, but is set for a considerable slowdown in 1989. Later, as the "baby boom" generation plays an increasingly significant role in the economy, growth should pick up for the rest of the century.

These varied conclusions come from a trio of economic reports published yesterday by German banks. They coincided with the release of the July trade figures showing that Germany is still notching up higher surpluses to the detriment of the reduction of world economic imbalances sought by major trading nations. In the first seven months, the trade surplus rose by DM4.6bn to DM70.3bn (£22.3bn).

Expressing satisfaction with the economy, the Bundesbank said the growth climate had undergone a basic change with the disappearance of the uncertainty apparent at the turn of the year.

In the first half of 1988, helped by the impact of mild weather on the building sector, real growth was nearly 4 per cent, though the second quarter showed no advance on the first. Industrial orders rose sharply, while new foreign business jumped by 10 per cent in April-July over 1987.

However, the weakness of the D-Mark had not only hindered the ironing out of differences between surplus and deficit nations, but also darkened the inflation outlook by raising import prices, the central bank noted.

This year, the currency has fallen by nearly 16 per cent against the dollar, 7 per cent against the yen, and 4 per cent overall against the currencies of 14 industrial countries.

This has cost the Bundesbank heavily. In the past five months, its net foreign assets have fallen by DM27.5bn. Currency reserves dropped by DM18.8bn through dollar sales to dampen the US currency's rise, and foreign liabilities went up by DM8.7bn as the US parked with the Bundesbank the D-Marks it had purchased.

Aided by their weaker currency and their strong engineering bias, German exporters have profited from the re-equipment surge by European industry. Thus exports to EC countries rose by 9.5 per cent in the first half and by 5 per cent overall.

The German economic outlook for next year, however, is less rosy. The world economy is expected to lose impetus and the D-Mark to gain both against the dollar and European currencies. There will be no further tax cuts until 1990 and the monetary policy has become tighter. Thus Westdeutsche Landesbank expects Germany's growth rate to halve from 3 per cent in 1988 to only 1.5 per cent.

But the surpluses should rise further, as companies are forced by slower domestic demand to seek more foreign business. Mr Nigel Hugh-Smith, an economist with Hoare Govett, the UK stockbrokers, estimates only 1.3 per cent growth in 1989 and an increase in the trade gap. "German companies will be forced to look for markets overseas."

Presenting a more dynamic longer term outlook, Deutsche Bank predicted that German growth into the late 1990s would, at 3 per cent annually, be a percentage point higher than the 1980s average. This would reflect the impact of post-war "baby boomers" in important levels of the economy, leading to a wave of new business start-ups.

Paris, Bonn in satellite TV talks

By Paul Betts in Cayenne, French Guiana

THE FRENCH government hopes to secure one or possibly two West German television channels for its ambitious controversial TDF direct television broadcasting satellite programme, due to be launched at the end of next month.

French officials revealed they were conducting hectic negotiations with Bonn as well as with other potential French and foreign television operators during a visit to the European space centre in French Guiana, where the TDF-1 direct television broadcasting satellite is being prepared for launch on the Ariane space rocket on October 27.

Telediffusion de France, the state broadcasting agency, and the other promoters of the controversial French direct broadcasting satellite programme, are facing a race to find operators for the five channels on the TDF-1 satellite.

Mr Michel Rocard, the Prime Minister, has insisted on TDF securing adequate commitments from television broadcasters for the satellite's five channels before giving the green light for the launch. The project has absorbed over FFr2bn (£187m) of public funds in the last 10 years.

Only the new French state cultural channel, la Sept, has committed itself to the satellite. Paris hopes the Bundespost will take one or possibly two channels on the French satellite programme to compensate for the failure of the West German TVSAT-1 direct broadcasting satellite last year.

Bonn is next year due to launch its second direct broadcasting satellite TVSAT-2, which was originally to act as the back-up satellite for TVSAT-1. The two countries are now discussing whether the French back-up satellite TDF-2, also due to be launched next year, will be able to provide back-up for the German TVSAT-2.

However, this raises a complex question of available frequencies and would require France and Germany to negotiate with another country, probably Luxembourg, to secure the necessary frequencies to enable the second French satellite TDF-2 to provide back-up for both TDF-1 and TVSAT-2.

Ozal threatens to resign over poll referendum

By Jim Bodgener in Ankara

MR Turgut Ozal, the Turkish Prime Minister, has threatened to resign if voters in next Sunday's referendum fail to back him in moves to bring forward local elections.

The threat was viewed as a last-ditch bid to rally his party and swing votes in a plebiscite which has been built up by the opposition into a vote of confidence in the Government.

Opinion polls last week predicted a "no" vote of around 60 per cent. Voters will be asked to approve the necessary constitutional amendments to bring forward the local ballot from March to November.

Mr Ozal has said he will spell out his position in greater detail in a speech to be made on September 23 or 24.

Opposition parties have variously welcomed and criticised Mr Ozal's declaration. Professor Erdal Inonu, the leader of the main opposition Social Democratic Populist Party (SHP), said it was geared to win votes. A senior SHP official, Professor Turker Alkan, was more explicit, describing the gambit as blackmail, with the implied threat of another military coup behind it.

Soviets stone-wall plan to improve Berlin air links

By David Marsh in Bonn

THE Soviet Union appears to have given a generally negative reply to an initiative by the US, Britain and France proposing improved air links between Berlin and other European cities.

The Soviet reply came in response to a note from the three western powers handed to the Soviet Government at the end of last year. Although western governments are making no official comment on Moscow's rejoinder, it is understood in Bonn that the Soviet Union has taken a generally stone-walling stance on the proposals.

The Soviet reply was made known in West Berlin at the weekend, although the contents of the message from Moscow have not been divulged.

Bonn has been hoping for movement on the issue of Berlin air links to try to improve communications between the divided city and the rest of western Europe.

Some officials had been hoping for a more positive Soviet reaction to boost goodwill in the Federal Republic ahead of the visit to Moscow by Chancellor Helmut Kohl next month.

The chances that the Soviet Union would take up the Berlin initiative – based on a speech by President Reagan in West Berlin in June last year – were, however, considered slim, above all by Britain and France.

After Western governments have had time to digest the Soviet reply, further exchanges of notes with Moscow are thought likely to try to keep going the momentum of the idea.

Waste ship anchors near Italian port

A WEST German ship carrying 2,100 tonnes of toxic waste nobody appears to want weighed anchor outside the Italian port of Livorno yesterday as authorities argued over what should be done with its cargo. Reuter reports from Livorno, Italy.

The Karin B has been turned away by several European countries since leaving Nigeria seven weeks ago with industrial waste illegally dumped in the African country.

Mr Roberto Benvenuti, Livorno's mayor, repeated an order late on Sunday for the Karin B to stay clear of the west coast city, despite a government decree requiring the port to accept it.

Port police said the ship was anchored three miles outside the harbour.

A team of experts and doctors yesterday boarded the ship to inspect more than 100 barrels of waste and report on the health of the ship's crew.

Police said the waste would stay on board until a programme for its treatment had been agreed.

On Friday the Italian cabinet approved emergency measures to deal with several shiploads of waste heading towards Italy, after failing to find a West European country which would accept the Karin B.

Yugoslav groups locked in an unhappy marriage

Judy Dempsey, recently in Prishtina, Kosovo, reports on Serbian-Albanian tensions

ALBANIANS in Kosovo, Yugoslavia's troubled autonomous province, fear that ethnic tensions in the region could lead to their being treated as second-class citizens in the Yugoslav Federation if their constitutional rights are taken away by the Republic of Serbia.

Serbs in the province, for their part, argue that if Serbia does not take control over Kosovo, they will feel a sense of betrayal by their fellow Serbs in Yugoslavia.

Kosovo is one of two autonomous provinces of Serbia. Serb demonstrators, along with Serbia's political leaders, want to see a sharp curtailment of Kosovo's autonomous rights because of alleged discrimination by ethnic Albanians against Serbs.

The conflicting views between Kosovo's Albanians and Serbs have been sharpened by events over the past two months, when mass demonstrations by Serbs have called for armed intervention against the Albanians in Kosovo.

The 1m ethnic Albanians, whose province is constitutionally linked to Serbia, however, find it hard to reconcile their own reality with what the protestors say and what the Serbian press writes about the situation in Kosovo.

The Serbian media report daily that a state of war exists in Kosovo, that the *Shiptari* – Serbian for Albanians, but now a pejorative term – are raping Serbian women, pillaging Serbian property and intimidating Serbs into leaving the province. It is also common to hear Serbs denigrate Albanian culture and history.

Yet those who criticise the ethnic Albanians rarely give the Albanians a fair hearing in the Serbian or Serbian-influenced Kosovo press. Nor do they drive south from Belgrade to Prishtina, the provincial capital of Kosovo.

There, a large and tightly-structured Albanian (Sunni Muslim) and small Serbian (Orthodox) peasant culture struggles to co-exist alongside an old, small and predominantly Albanian intelligentsia and a recently-formed secular urban class.

Ox-drawn carts trail along the roads and children play on the wayside while their Albanian gästerbeiter (migrant worker) cousins flash past in their Mercedes and BMWs. These young men, home from West Germany on holiday, are the Europeanised, secularised Yugoslav Albanians.

But in Kosovo, their fathers and grandfathers continue to don the plin, the traditional white skull-cap of the Muslims, while, in orthodox Muslim households, while women remain at home on land enclosed by walls. Strict patriarchal values and large families remain sacred among the Muslim Albanians.

Behind the red-brick walls, Albanians have retained a deep, historical mistrust of their fellow Serbs.

"We try to get on with the Serbs," said Mr Koco Skendi, a small shop-keeper. "We are not driving them out. We live quietly here. We don't understand the lies and propaganda. We want to live in peace."

Kosovo's history has nevertheless been far from peaceful. Its population, mostly Albanians who are descendants of the Illyrians, a pre-Roman tribe from the western Balkans, lived for centuries under Ottoman rule and for a brief period under the Hapsburgs and Serbs. Their history alternated between reprisal and serfdom, rebellion and subjugation. The Albanians were rarely granted cultural or administrative autonomy despite being in the majority.

When Kosovar Albanians fought for their rights in a bloody rebellion of 1913, they were beaten down by the Serbs. There was a brief respite

Ethnic Albanians, whose province is constitutionally linked to Serbia, find it hard to reconcile their own reality with what the protestors say and what the Serbian press writes about Kosovo

under the Austro-Hungarian army (1916-1918) when the Albanians were granted some autonomy. This policy was reversed when the Serbs re-occupied Kosovo in 1918.

That Serbian occupation remains of considerable significance. It led to a new wave of Serbian settlers who were sent into Kosovo to "Serbianise" the region. During the interwar period, 17,600 Serbian families were settled and given land originally held by ethnic Albanians.

It seems history is catching up with both sides.

The Serbs today say that the ethnic Albanians are trying to take away their land. The Albanians deny this and refer to the post-1918 "colonial" period.

"In Kosovo, land rights are complicated," according to an Albanian academic who points out that the ethnic Albanians were rarely compensated for land confiscated in the 1920s and 1930s. The law at the time guaranteed the colonists' possession against any subsequent legal claims of former owners.

Even if the Albanians tried to reclaim their land, they were unable to prove their rightful ownership owing to the structure of traditional peasant societies in which land was often held in common.

"The Serbs say that the ethnic Albanians are after their homes and forcing them to leave. I think that what is at issue are traditional, peasant land rights," explained an Albanian historian.

The Serbs also say that over 30,000 of their number have left Kosovo since 1981 because of alleged intimidation by the ethnic Albanians.

An Albanian sociologist in Prishtina argued that if an Albanian wanted to buy land, it was still customary first to approach his immediate neighbour, regardless of ethnic background. If the neighbour refused to sell or wanted more money, he continued, "the situation can become difficult. Because of his large family, the Albanian wants the land next to him," he explained.

"Undoubtedly, pressure forces the neighbour to sell," said the sociologist, adding that offers of gästerbeiter-earned money, coupled with poor economic prospects in the region, are often enough to persuade the neighbour sell up and go.

Just as the memory of the inter-war period lingers in the minds of older Albanians, so too the wave of anti-Albanian hostility is beginning to remind Kosovar Albanian intellectuals of the Rankovic era.

Mr Aleksander Rankovic was deputy to the late President Tito. As head of internal security after 1945 until his downfall in 1966, he pursued a ruthless policy in Kosovo aimed at suppressing Albanian cultural, political and social rights while running the province from Serbian Belgrade. Tito reversed that policy in 1966 – unleashing huge reserves of pent-up anger by nationalist ethnic Albanians who took to the streets in 1968.

What took place after 1968 revealed the weakness of Tito's handling of the nationalist problem and the short-sightedness of the Albanian intellectuals and leadership in Prishtina.

Reverse discrimination became the order of the day. Instead of a carefully worked out policy of co-existence or power-sharing, Serbs became the underdogs and leadership by Albanians, often inspired by nationalist aspirations, became the new status quo.

"Instead of using our new university and educational institutions to look outwards, we looked inwards and created a kind of ghetto. It was, I think, a lost opportunity. Nobody looked for compromises or a modus-vivendi," an Albanian writer commented.

Rather than channelling this fantastic explosion of Albanian language, culture and identity into durable political institutions, which was possible neither under Tito nor under the present Yugoslav system, it was sucked into the whirlpool of nationalism.

This culminated in the riots of 1981 when young, educated, unemployed graduates and a politically-blind Kosovo Communist Party called for Kosovo to be granted the status of a Republic, an idea firmly quashed by the then Yugoslav leadership.

As so many times before, what followed was a period of repression, recriminations and reprisals by the Serbian leadership in Belgrade. They, in effect, exercised power in the province through a malleable and weak Kosovo leadership. Such actions alienated even further sections of the younger Albanian unemployed intellegentsia who, Albanian writers say, today resort to harassment of Serbs. Many Serbs now believe the only solution to the Kosovo problem is full incorporation into Republic of Serbia.

Albanian intellectuals shrug their shoulders. They know their history.

They do, however, see one way out of this history of cyclical instability and violence between the two ethnic groups.

"The tool of political democracy and not the nationalist weapon is the one remaining avenue," argued one historian. Any hope of this idea being included on the political agenda under the present economic and political climate, was, however, he sadly conceded, wishful thinking.

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OVERSEAS NEWS

Douglas lords it over Lange

By Terry Hall in Wellington

MR ROGER Douglas, the New Zealand Finance Minister, has gone on the offensive following his victory over Prime Minister Mr David Lange who failed to sack him 11 days ago. In speech after speech he insists there will be no change in economic direction nor any relaxation of monetary policy.

There is however widespread public confusion following the bitter power struggle, the depth of which is only now becoming known. Some economic forecasters, newspapers and market insiders argue that there are ample indications that the Government has softened its economic policy.

Despite this Mr Douglas is displaying his old cockiness with the apparent backing of most of the Cabinet. It is still too soon to see how his Lange-appointed aides, Mr David Caygill and Mr Mike Moore, will act to modify his policies as Mr Lange wants.

Mr Lange, in a heated Cabinet meeting on September 8 following the Labour Party conference from which he had emerged as the triumphant figure, tried to assign Mr Douglas to another portfolio.

There has been a long-standing public rift between the two and Mr Lange is known to want to moderate the Douglas economic policies which have been blamed for soaring unemployment, a trade union backlash and Labour's slide in the polls.

Mr Lange wanted to replace Mr Douglas with the more pragmatic Trade and Industry and Health Minister, Mr David Caygill, who is more popular with the party's left wing, over Mr Douglas's refusal to implement reforms of public hospitals. But Mr Douglas refused to resign and Mr Caygill then declined to accept the post. In a compromise Mr Lange appointed Mr Caygill and Mr Moore, Minister of External Relations and Trade, as deputy finance ministers.

Mr Douglas's evident buoyancy since the crisis Cabinet meeting suggests he feels increasingly secure.

The power struggle over the past month has left money and financial markets volatile and nervous, and has led to a weakening of the dollar.

Israel faces cabinet crisis over planned budget cuts

By Eric Silver in Jerusalem

ISRAEL'S divided National Unity coalition faces a cabinet crisis before the general election on November 1 over Treasury plans to cut this year's budget by 300m shekels (£110m).

Mr Moshe Nissim, the Finance Minister, is demanding an across-the-board reduction of 1.3 per cent from all departments and is proposing to slash government subsidies on food, water and public transport by up to 30 per cent.

The measures are to be debated in cabinet at the weekend but ministers from both Labour and Likud wings have already registered their opposition.

Mr Yitzhak Navon, Labour's Minister of Education, is threatening to resign rather than cut his already strained budget. Further reductions would mean closing schools as early as 10am and would force many of Israel's best academic minds to emigrate.

Mr Nissim, a Likud minister, told the cabinet on Sunday that cuts were imperative after a series of unforeseen developments had increased the budget deficit. These included an increase of 110m shekels for the defence and police budgets to put down the Palestinian uprising in the occupied West Bank and Gaza Strip.

Moshe Nissim: wants to slash subsidies by up to 30 per cent

At the same time the Government had to compensate farmers to the tune of 60m to 100m shekels for damage from an early summer heatwave. Israel had also increased subsidies by 110m shekels to compensate for a rise in the price of imported grain.

This coincided with an economic slow-down, caused partly by the disruptions of the Palestinian uprising on production and sales, which reduced tax receipts by 450m shekels.

Mr Nissim warned his colleagues that a bigger budget deficit would trigger inflationary expectations and boost the balance of payments deficit, thus jeopardising the recovery achieved since the unity government took office in 1984. Inflation has fallen from 400 per cent to 16 per cent, but at the price of a painful squeeze on public services.

Cabinet approval is not required for the other half of Mr Nissim's package – the subsidy cuts. The Treasury announced at the weekend that the price of milk and other dairy products would rise by 30 per cent, eggs, poultry and public transport by 15 per cent, water by 10 per cent and bread by "a few percentage points".

Officials did not say when these cuts would come into force, but Mr Nissim can be expected to seek a measure of cabinet consensus to limit the electoral damage. Whether Labour ministers will co-operate depends on his power to convince them that the alternative would be worse for both parties.

Red Cross may probe gas claims

By Andrew Gowers in London and William Dullforce in Geneva

THE United Nations Secretary-General, struggling to mount an investigation of charges that Iraq used chemical weapons against its Kurdish minority, is considering asking the International Committee of the Red Cross (ICRC) to do the work on his behalf.

But the chances of an inquiry now proving the use of poison gas or of UN Security Council action against Iraq over the allegations appear to be fast receding, despite repeated statements from the US Administration that it has conclusive proof to support the charges. Any symptoms of chemical weapons use will almost certainly have faded by the time an inquiry gets underway.

Mr Javier Perez de Cuellar was asked by several Western countries to set up an inquiry last week, but his task has been hampered by the refusal of both the Iraqi and Turkish authorities to admit a proposed UN team. Turkey, which said it would not welcome a UN team, has indicated it would allow a visit to Kurdish refugee camps by the Geneva-based ICRC.

Civil war fears greet Beirut power crisis

By Tony Walker in Damascus

A STALEMATE in efforts to select a new President for Lebanon is threatening to bring about a formal division between the country's Christian and Moslem sectors and plunge the country back into civil war.

In Damascus yesterday, Syrian officials held discussions with Lebanese leaders, including the acting Prime Minister, Dr Selim al-Hoss, and the Speaker of Parliament, Mr Hussein Husseini.

This follows the rejection on Sunday by Christians of a compromise presidential candidate agreed to in five days of talks in Damascus between Syria and the US.

Mr Richard Murphy, the US Assistant Secretary of State for Middle East Affairs, flew to Beirut from Damascus on Sunday to propose Mr Michel Daher, a little-known Christian parliamentary deputy from north Lebanon as a replacement for President Amin Gemayel, whose term expires on September 23.

Both the hardline Christian Lebanese forces militia and the Christian commander of the Lebanese regular army emphatically rejected Mr Daher. Mr Daher was accused by Samir Geagea, commander of the Lebanese forces, of having entered into written agreements with the Syrians to make "excessive concessions" to the Moslems in Lebanon.

Mr Murphy was reportedly told in his discussions with various Christian figures, including Mr Gemayel, that Mr Daher was unacceptable.

Syria has been seeking reforms of Lebanon's antiquated power-sharing arrangements that favour the Christians. Under Lebanon's unwritten covenant, dating from independence from France in 1943, the President must be a Maronite Christian, the Prime Minister a Sunni Moslem and the Speaker of Parliament Shi'ite Moslem.

Moderate Christians and Moslems fear that the crisis may hasten the permanent division of the country into Moslem and Christian enclaves. "This is the most serious crisis since independence," said a prominent Christian who has been involved in attempts to find a replacement for Mr Gemayel.

If Mr Gemayel were to appoint a new government headed by a Christian its writ would be unlikely to extend further than about one-tenth of Lebanon's total land area.

Malay MPs make final break with Mahathir

By Wong Sulong in Kuala Lumpur

A GROUP of 15 Malay MPs from the defunct former ruling United Malays National Organisation has made a final break with Dr Mahathir Mohammed, the Prime Minister, by telling the Speaker they would be calling themselves independents.

The move, led by Dr Mahathir's arch-rival Tengku Razaleigh, is seen by some as the beginning of a "grand opposition alliance".

Dato Rais Yatim, a former Malaysian foreign minister and now Tengku Razaleigh's deputy, said when the group won a decisive victory at the Johore Baru parliamentary by-election last month that it was willing to meet to end the bitter power struggle within UMNO.

Dato Rais said that while Dr Mahathir had said he was prepared to talk, he nevertheless announced the constitution of his own party, New UMNO, last week. The 15 dissident MPs were excluded from its membership, and the rules of New Umno are such that it is virtually impossible to challenge the incumbent president, Dr Mahathir.

The Razaleigh faction had no choice but to strike out on its own, he said.

Tengku Razaleigh's supporters say they can count on the support of the Party Islam and the Chinese-based Democratic Action Party, and possibly a few East Malaysia parties.

The DAP and the Party Islam, while representing opposite ends of Malaysia's political scale, helped Tengku Razaleigh's candidate in the Johore Baru by-election, and are expected to do so again at the Parit Raja by-election next month.

The Razaleigh faction, the DAP and Party Islam control more than 40 seats in the 177-seat parliament. Dato Rais said more Malay MPs, including former deputy prime minister, Datuk Musa Hitam, were expected to join soon.

He said many had not supported Tengku Razaleigh "because of an element of fear". But if the Razaleigh faction won at Parit Raja, a mostly Malay constituency, it would convince them there was a viable alternative to Dr Mahathir.

British bulldog makes waves among superpowers

MICHAEL THOMPSON-NOEL IN SEOUL

IF you want to be a sports superpower you have to churn out Olympic swimming stars, which is why an American and an East German swimmer won gold medals in the Seoul Olympics yesterday and no one even blinked.

Instead, the heroes of the day were a Briton and an Australian, who slew numerous giants between them and showed that the little countries can still make waves.

Britain's hero was Adrian Moorhouse, whose magnificent surging finish swept him to victory in the 100 metres breast stroke – Britain's first medal in Seoul – in 1 minute 2.04 seconds, 100th of a second faster than Karoly Guttler of Hungary with a Russian, Dmitri Volkov, relegated to third.

This meant a gold for the British bulldog, which had approached the Seoul games in trepidation, fearing that the resumption of Olympic hostilities between the superpowers after the boycotts of the last 12 years would mean the worst.

Once the bulldog had stirred, the kangaroo followed, with Duncan Armstrong of Australia powering to an even more heart-thumping win in the 200 metres freestyle in a world record time of 1 minute 47.25 seconds.

Second was a Swede. Third was Matt Biondi of the US, who is still expected to win multiple medals in Seoul. Fifth was the remarkable West German, Michael Gross – "the albatross."

Yesterday's other two gold medal winners in the pool were Kristin Otto of East Germany in the women's 100 metres freestyle, and Janet Evans of the US in the women's 400 metres individual medley (100 metres each of backstroke, breast stroke, butterfly and freestyle).

For the superpowers, the Olympic aquatics – swimming, diving, synchronised swimming and water polo – are of the utmost importance, accounting for no fewer than 38 gold medals out of a total, in Seoul, of 237 Olympic gold medals – only four fewer than the number in athletics.

As a sub-total, swimming alone accounts for 31 golds. Swimming golds for Britain are exceedingly rare. Since 1896, Britain has only won 13 swimming golds in total, though it has won 20 silver and 23 bronze. The gold medal won by David Wilkie in the 200 metres breast stroke in 1976 was the first by a British male swimmer since before the First World War, though Duncan Goodhew repeated the trick in the 100 metres breast stroke in 1980.

Such was the historical manacle that Adrian Moorhouse wore in the pool yesterday, along with the ultra-skimpy briefs, verging on nudity, and total absence of body hair that male swimmers favour.

Moorhouse is articulate and likeable. He has had his share of disappointments, not least in Los Angeles, four years ago, but is made of stalwart stuff. And so he has to be, because his start yesterday was almost mesmerisingly slow.

At halfway – 50 metres – Moorhouse was in sixth place and trailing Volkov by 1.3 seconds, virtually an eternity in 100 metres breast stroke. But his strength is his finishing speed, particularly over the last 50 metres. As Volkov tired, Moorhouse surged home, beating Guttler by a fingertip in a time that was only 0.39 seconds outside the world record.

After his victory, Moorhouse said that he had barely slept in the preceding 48 hours. "The day was very long. We had never swum a final like this the day after the heats. These have been the longest 24 hours of my life. The last 50 metres are the key to my racing. Strength pulled me through in the end." When he accepted his medal, he was gulping back tears.

Strength was also the key to Duncan Armstrong's win for Australia in the 200 metres freestyle – a victory made all the more piquant because of the presence at the poolside of Australia's irrepressible Dawn Fraser, the only swimmer ever to have won three gold medals in one event – the 100 metres freestyle in the Games of 1956, 1960 and 1964.

While Moorhouse and Armstrong were striking a blow at swimming history, the future was represented by Janet Evans of the US, who simply left her opponents gasping in the 400 metres medley.

Evans is 16 years old. She holds three world records. Trainers in the Eastern Bloc, West Germany, China and Australia are said to brood about her. She can swim the 400 metres freestyle in a faster time than male swimmer Mark Spitz's world record time of 1968. In the Olympic battle of the superpowers, which is only just beginning, she is worth her weight in gold.

WORLD TRADE NEWS

Caution urged on trade with Iran and Iraq

By William Dullforce in Geneva

COMPANIES HOPING to renew or expand business in the Gulf should discount an early peace agreement between Iran and Iraq and make sure that they can offer project and trade finance.

These are two of the main conclusions emerging from the study of business opportunities after the Iran-Iraq ceasefire being undertaken by Business International (BI), the information and advisory agency.

A final report will be ready in mid-January.

BI executives working on the study are convinced that both countries will continue to spend heavily on arms. Prudent corporate planners will keep in mind the possibility of a new outbreak of fighting in two or three years, according to Mr John Townsend, the BI Vice President responsible for Middle East client services.

The main commercial opportunities will come in the oil, gas and petrochemical fields as both the former combatants seek to maximise export revenue and revive development programmes. Iran with annual food imports of $3.5bn should also offer openings to food suppliers.

However, BI warns, the name of the game will be credit. With Iraq already carrying a debt burden of some $65bn and Iran facing a tough cash flow problem, the message is: "If you want to do business, find the finance."

This may not be easy. BI claims to have been inundated with requests from companies for advice about how to resume business, but finds little or no interest among bankers, while it notes that export credit agencies are still not ready to cut the 5-6 per cent premiums they charge to cover deals with Iran and Iraq.

Mr Tarik Aziz, the Iraqi Foreign Minister, has already been talking to several US companies on oilfield technology, BI executives report.

They believe that Iraq is ready to "throw down the gauntlet" to the Organisation of Petroleum Exporting Countries by insisting on producing as much oil as it can.

Iran is stated to be more likely to go for long-term bilateral arrangements with oil importing countries, similar to that it has succeeded in imposing on Japan.

But, BI executives say, Japan, in principle a major potential investor, may already be having second thoughts about its future ties with Iran.

West Germany may have the best prospects in Iran, according to BI. With 80 companies already established in the country, it is currently Iran's leading supplier of goods and development projects.

John Wicks adds from Zurich: The Swiss company Zimex Aviation has ordered an 18-seat Jetstream 31 aircraft from British Aerospace.

To be delivered from its Prestwick plant at the end of November, it will be used to ferry senior United Nations personnel between Baghdad and Tehran in connection with UN peacekeeping operations in Iran and Iraq.

Zimex will operate the new Jetstream as part of a project financed by the Swiss Government.

Soviets in barter move towards Philippines

By Richard Gourlay in Manila

A TRADE DELEGATION from the Soviet Union has arrived in Manila for a ten-day visit to try to develop barter trade with the Philippines whose main economic ties have historically been with the US.

The delegation, led by Mr Eugheny Shkurenkov, of the Foreign Economic Relations Department, is also expected to try to move talks forward on four joint ventures in which some Philippine officials have expressed interest.

The trade mission, requested by the Soviet Union, according to sources in Manila, comes as relations between the US and the Philippines have reached a low point following a deadlock in talks over compensation for the next two years for American use of strategically important military bases.

The mission arrived in Manila a day after Soviet Premier Mikhail Gorbachev relaunched a 1986 initiative to improve Soviet relations in Asia. His speech in Krasnoyarsk included a proposal that Moscow would stop using a major naval base in Vietnam if the US eliminates its bases in the Philippines.

Trade between the two countries is modest. The Soviet Union has so far failed to win official approval for joint ventures to rehabilitate the Nonoc nickel mine and to build a power station as well as provide business for ship repair facilities close to the US naval base at Subic Bay.

Moscow also wants to use port facilities in the city of Cebu for its Pacific fishing fleet, which would also require landing rights for Aeroflot.

US move on Canada free trade

By Nancy Dunne in Washington

THE US SENATE last night was expected to approve overwhelmingly a sweeping free trade agreement between the US and Canada, which would eliminate all tariff barriers between the two countries within the decade.

The final decision on the treaty will fall to the Canadian voters. The Canadian Senate is refusing to approve the pact until after a general election, which could be called this week for 50 days later.

Although the FTA has been barely noticed by American voters, it is a controversial issue among Canadians who fear that it would lead to economic and cultural domination by the US.

If it goes forward, the agreement is expected to open up new trade and investment opportunities between the two neighbours. Eighty per cent of Canada's exports to the US and 65 per cent of US exports to Canada are already tariff-free. But other goods may well be traded if the remaining high tariffs are removed.

Britain learns the virtues of flexibility

Peter Montagnon reports on the UK's new credit arrangement with China

BRITAIN is a relative novice in the business of providing soft loans to developing countries, compared with some of its competitors, such as Japan. But its latest £300m credit arrangement for China suggests that it has learned to apply the technique flexibly in a relatively short period of time.

Officials at the Overseas Development Administration say the new loan, which Mr Christopher Patten, ODA Minister, is to sign in Beijing this morning, incorporates a number of improvements on the existing £300m credit line due to expire early next year.

That loan established a fixed 20-year maturity and 5 per cent interest rate for all credits drawn under its provisions. An innovation in the new deal is that it will allow for flexibility in both maturity and interest rate to make it easier to tailor finance to suit the needs of individual projects.

The UK aid establishment has long had a reputation for harbouring dislike of soft loan arrangements which officials see as storing up budgetary trouble for the future because they involve a long-term commitment to provide interest subsidies.

They are generally thought to prefer mixed credits whereby a once-and-for-all cash grant is provided to the debtor to reduce the overall cost of a given project and the balance is financed on normal commercial terms.

Indeed the existing China loan which was established in 1986 is one of only two major soft loans to which the UK Government has ever agreed. The other was a £140m line to Indonesia which expires at the end of the month and is to be replaced by a new £100m package.

At one level the new China loan thus confirms the UK's willingness to overcome its reluctance to provide soft loans. Of more practical importance to exporters, however, could be its more flexible technical provisions. The hope is that these will boost UK sales to China, which are running at less than a quarter of those from West Germany.

Agreement on the changes followed negotiations in London this summer between the UK and a Chinese delegation led by Mr Liu Zhi Cheng, Deputy Director of the Ministry of Foreign Economic Relations and Trade.

Taken together they incorporate ideas put forward by both sides in the light of their experience with the existing loan. Besides the flexibility on interest rate and maturity they include:

TOP EXPORTERS TO CHINA IN 1987 ($m)	
Japan	8,336
US	3,497
W.Germany	2,796
Italy	1,086
Australia	954
France	850
UK	680

Source:ODA

- An option for credit to be made available on either a soft loan or a mixed credit basis. *Paradoxically*, China has indicated that for some projects it prefers mixed credits rather than soft loans. The option of having either is thought likely to give the UK an advantage over countries such as Japan which traditionally operates its trade-related aid scheme through soft loans and France which concentrates almost exclusively on mixed credits.
- An understanding that Britain will hold back from making aid offers for any given projects until negotiations have reached an advanced stage. This will avoid the risk of tying up funds under the credit for projects which in the end never get off the ground.
- An understanding that extra finance might be negotiated if the £300m were used up before the availability of the credit line expires in three years' time.

According to the ODA these factors mean that it will not be possible for the Government to predict with certainty precisely how much aid cash will flow to China over the next three years. That depends on what mixture of soft loans and mixed credits emerges as well as the terms agreed for individual transactions.

The reference point, however, is that the amount of official aid money attached to any transaction will comply with the 35 per cent minimum grant element agreed under Organisation for Economic Co-operation and Development rules and which is calculated under a complex OECD-endorsed formula.

This means that the package will be more richly spiced with aid than the current £300m line, which was agreed at a time when the OECD rules were different and carries a concessional element of 25.1 per cent.

However, according to Mr Richard Manning, ODA undersecretary, government expenditure under the new Chinese loan should not lead to a need to increase the Aid and Trade Provision special budget for such deals. The ATP budget in the current year consists of £66m for mixed credits and £20m for soft loans.

Mr Manning adds that experience under the current loan "has been pretty positive." The largest contract it has helped finance was the sale by GEC earlier this year of equipment to the Yueyang power station in central China which involved finance worth some £175m. A further £45m was accounted for by the sale of container ships to the China Ocean Shipping Corporation and £28m by the Bohai aluminium plant.

By the time of the loan's expiry next year an additional slice of money is expected to be made available to Bohai under a contract now being negotiated by Davy McKee, which means that after an admittedly slow start the funds will have been fully used up.

Already enquiries are flowing in from exporters about the availability of money to finance contracts under the new arrangement but no individual promises have been made. The hope is to use the line to fund projects that would not get off the ground without aid money so as to provide an additional stream of exports which will help lift Britain higher up the league of major Western exporters to China.

Libya and Turkey sign protocol to expand trade

By Jim Bodgener in Ankara

TURKEY and Libya have signed an economic protocol which provides for an increase in Turkish exports to $500m and the settlement of Turkish contracting debts. It follows from a visit by Mr Turgut Ozal, Turkey's Prime Minister, to Tripoli from May 28 to June 1.

An agreement signed at the end of Mr Ozal's visit permitted Turkey to resume crude oil liftings from Libya – stalled over payment terms since February – at an annual rate of 3m tonnes a year.

According to the protocol signed in Ankara on Sunday by Mr Rusdu Saracoglu, the governor of the Turkish central bank and his Libyan counterpart, Mr Recep Zarruk, Libya will offer one-year credit terms for exports, paying 45 per cent of transactions in advance, and the remaining 55 per cent over one year.

Under the protocol, Libya has agreed to pay Turkish contractors in oil but has not agreed on pricing terms.

Discussions on the latter between the Turkish Petroleum Refineries Corporation (Tupras), and its Libyan equivalent remain secret, for fear of offending Opec pricing and production sensitivities.

A team of Turkish bankers will leave for Libya soon to negotiate letters of guarantee on behalf of Turkish contractors, which Tripoli has refused to accept in the past, seeking guarantees from international banks instead.

Malaysia and Norway in adhesives deal

By Karen Fossli in Oslo

DYNO INDUSTRIER, the diversified Norwegian industrial group, yesterday announced plans to bring on stream next spring a NKr7m adhesive production plant in Seremban, western Malaysia.

Annual production will start at between 12,000 and 15,000 tonnes but will reach capacity of 25,000 tonnes by 1990.

The new plant will bring Dyno's total annual adhesive production up to 425,000 tonnes.

The plant is to be jointly owned by Dyno's subsidiary Dyno Singapore which will have a 51 per cent share while 49 per cent will be divided amongst Malaysian plywood producers and local investors.

US to buy British sonar minehunting equipment

By David White, Defence Correspondent

US VESSELS are due to be fitted with British minehunting sonars for patrolling coastal waters, under a breakthrough contract won by the Dowty engineering and high technology group.

The US Government deal, which will be worth about $7m if all the options are taken up, is for the US Navy's "Craft of Opportunity" programme under which fishing boats and other vessels will be able to take on a mine-detecting capability.

The Dowty equipment, made at its Waverley division in Weymouth, Dorset, will be deployed initially on training vessels manned by the US Naval Reserve.

It is the company's first such contract in the US, and was won against US manufacturers including Klein Associates, which recently beat Dowty in a similar competition in Australia.

The deal reflects the increased importance being given to mine detection in the light of the Gulf conflict. Other countries, notably Singapore, are known to be keen to strengthen their capability in this field.

Dowty is initially to supply seven sonars but there are options for a further 52.

The so-called "sidescan" sonar equipment consists of a lightweight "towfish" unit, towed by the vessel, and an onboard signal processor and thermal printer.

US reacts cautiously to Avril's Haiti coup

By Lionel Barber in Washington and our Foreign Staff in London

LT GEN Prosper Avril set out to form a Haitian government yesterday after toppling Gen Henri Namphy at the weekend.

The US adopted a cautious line, saying it was still assessing the latest change in government. The latest coup would appear a further setback to Washington's goal of restoring at least a semblance of democracy in Haiti. Last year, after supporters of the former dictator Jean-Claude "Baby Doc" Duvalier violently disrupted elections, the US cut off some $100m in US economic and military aid.

Lt Gen Avril, a career soldier, said he intended to make Haiti a place "where human rights are guaranteed" and suggested there might be a return to civilian rule through elections. He offered no timetable.

He had strong links with the Duvalier family and according to one report was Baby Doc Duvalier's closest financial confidant. In 1986, Mr Duvalier was ousted from power and fled to France, taking with him a fortune.

Lt Gen Avril took power early on Sunday after junior and middle-level officers had rebelled against Gen Namphy, who had seized office only three months before by ousting civilian president Leslie Manigat. Lt Gen Avril, a close adviser to Gen Namphy, had assisted him in the June coup.

A day after Lt Gen Avril proclaimed himself president on national television, he had yet to announce the members of his cabinet. Local political observers said in-fighting was likely in the military over its make-up.

US officials said one of the unknowns was the future role of several powerful army officers in Haiti who have their own base of support. Among the most important is Col Jean-Claude Paul who is under indictment in the US on narcotics trafficking charges and is said to be a front-runner for the position of commander of the armed forces.

Some Haitians celebrated on the streets yesterday, but sporadic shooting was heard around the city and at least five people were killed as mobs sought Gen Namphy's supporters.

Gen Namphy fled on Sunday to the Dominican Republic where he received political asylum. He was accompanied by Mr Frank Romain, mayor of Port-au-Prince and an ally of Jean-Claude Duvalier.

Three of those killed were men attacked by a crowd searching for followers of Mr Romain, who was widely blamed for violence last week in which three churches were attacked by machete-wielding gangs. In one church 11 people were killed and 70 wounded.

Lt Gen Avril had enjoyed a reputation more as a king-maker than leader in his own right. His removal of Gen Namphy suggests deep divisions within the Haitian armed forces who hold the balance of power.

Cash crisis 'threatens UN peace mission'

By Our UN Correspondent

THE United Nations General Assembly begins a new session, its 43rd, in New York today amid rising expectations for the world body after some noteworthy peacemaking successes, with a prospect of more to come.

Namibia, the former German colony of South West Africa, appears to be the next international problem ripening for solution. The Secretary General, Mr Javier Perez de Cuellar, is due in South Africa on Wednesday for talks with President P. W. Botha that he hopes may lead to a start on November 1 on implementation of an independence process approved by the security council 10 years ago.

But even as he prepared for this mission, Mr Perez de Cuellar warned the General Assembly in his annual report yesterday that the UN remained in deep financial trouble: "Lack of reserves means that the organisation will not be able to mount new operations," he said.

"The impact of the crisis is heightened by the increasing responsibilities of peace-making and peace-keeping which the organisation has had to assume." Without citing specifics, he said these were likely to increase significantly in the next 12 months.

It is estimated that the Namibia operation alone would cost more than $700m. The General Assembly has approved the first half of six months' expenditures amounting to $74m for UN monitoring of the Gulf ceasefire. Other costly enterprises, including the possibility of UN peacekeeping in Western Sahara and Kampuchea, may lie down the road if Mr Perez de Cuellar's run of successes continues, following the Afghanistan augury last April.

"The UN cannot function without money," the Secretary General said in his report. "It is still seriously short of funds. This situation includes both an immediate shortage of cash, which threatened insolvency in the next few months, and the virtual depletion of reserves."

US President Ronald Reagan, who is due to address the assembly next Monday in a farewell appearance, has promised to meet US financial obligations to the UN, but its arrears of more than $468m in the regular budget may not be eliminated for years.

So far, the US has paid off only a little more than $15m – enough to keep the UN going for about a week – and criticism of the UN by the American right wing continues.

The first principal order of business in the 159-nation assembly today is the election of its president, for which Mr Dante Caputo, Foreign Minister of Argentina, and Dame Nita Barrow, the chief delegate of Barbados, are candidates. Both sides have predicted victory, but it is thought Mr Caputo will be elected.

Argentina is the only major Latin American country that has not had the presidency and it has never gone to a diplomat from a Caribbean state. The presidency rotates from year to year among the regional groups, who generally try to agree on one nominee. The Latin American-Caribbean group was unable to achieve this because neither Dame Nita nor Mr Caputo would withdraw.

World Bank loan likely for Argentina

By Gary Mead in Buenos Aires

MR Barber Conable, president of the World Bank, says it is preparing to extend Argentina $700m in fresh loans, probably to be disbursed in October.

Mr Conable visited Argentina at the weekend and made it clear the World Bank was lending its support to recent economic plans unveiled by the Argentine government.

The $700m is destined to support reforms in the financial and import sectors. According to Mr Conable, the World Bank and Argentine government are working on the details of the sectoral reforms. He said disbursement was conditional on agreement on the finer points.

Argentina has a foreign debt of $56bn, with interest payments this year reaching $5bn. It has been holding talks with the World Bank, International Monetary Fund and commercial bank creditors, with a view to obtaining fresh loans of up to $4bn.

Peru austerity package under growing attack

By Veronica Baruffati in Lima

CRITICISM of the economic austerity package introduced in Peru earlier this month, and its architects, is growing.

Members of Peru's majority American Popular Revolutionary Alliance (Apra) party have been discussing the measures and, for the first time under this government, have been critical of the executive and Mr Alan Garcia, the President.

One Apra deputy said: "At least we are sure of one thing – the economic team and some ministers have to go before October."

A "hinge" committee consisting of seven senators and seven deputies has been set up to serve as a link between the Apra deputies and the executive. The committee met for 11 hours on Sunday to formulate a document which analyses the economic situation and suggests policies for tackling the crisis. This document will be discussed by Apra before being presented to the president tomorrow.

There were rumours at the weekend that Mr Javier Tantalean Arbulu, one of President Garcia's chief economic advisers, was hoping to resign as head of the National Planning Institute. This follows the resignation of Mr Daniel Carbonetto, Mr Garcia's economic adviser, who returned to his native Argentina last Friday.

Jamaica reels in Gilbert's wake

Canute James reports that the economy has suffered a painful blow

HURRICANE Gilbert struck at the heart of the Jamaican economy. It could ill afford the ravages of a such direct hit."It looks like Hiroshima after the A-bomb," said Mr Edward Seaga, Prime Minister, of the damage done to the island last week by the most powerful storm in the region this century.

"Many will have to live in tent cities and we will have to start all over again to rebuild the economy."

The storm moved along the full length of the island, from east to west, with no part of the country spared. Mr Seaga, who had earlier said repairing the damage would cost $7.25bn, now says it will cost about $1bn, about one and a half times the value of last year's exports.

He said the most immediate needs would demand about $400m – the equivalent of three years' earnings from bauxite, the main commodity export of which Jamaica is the world's third largest producer.

If the cash is raised, most of it will go into repairing the four out of every five houses affected by the storm. About 100,000 houses were blown away, as were some hospitals and schools and several public buildings now urgently needed in the rehabilitation of the island. The death toll, put officially at 37 at the weekend, is likely to rise.

Mr Seaga may consider the blow to the economy more painful for the fact that, after a decade of stagnation, the Jamaican economy had started to expand. It grew by 2.5 per cent in 1986, by 5.5 per cent last year and appeared set for further expansion of five per cent this year before it was left in tatters by Gilbert.

The agriculture sector has been devastated by the storm, which did most of its damage in the eastern and western ends of the island. "The banana industry has gone," Mr Seaga reported. The island ships all its bananas to Britain and has been slow in recovering from extensive damage by the leading tail of another storm in 1980.

It will take a year before any more export fruit is available, but it will be some time before the industry will be able to reach the 50,000 tonnes-per-year level which it was approaching before Gilbert arrived.

Citrus and coffee farms have also been flattened. Jamaica's Blue Mountain coffee, accepted as one of the best in the world, and which fetched prices six times those of other varieties, will take about five years to recover, according to one leading farmer.

The damage done by the storm to the *domestic agriculture sector promises a* shortage of local food, increasing the urgency for imports. Within four days of the storm's battering of Jamaica the prices of what little fresh fruit and vegetables were left had increased threefold.

Of the damage to tourism, Jamaica's main foreign currency earner, Mr Seaga reported: "Five hotels in Montego Bay were damaged, but this is marginal in terms of the number of hotel rooms on the island." The sector will suffer, however, from extensive damage to the beaches along the famed north coast resorts where sandy strips have been replaced by boulders.

Hoteliers in Barbados are already receiving new bookings from travel agents which have had block cancellations of Jamaican holidays.

The bauxite mining and refining sector will be the quickest to recover. Mines which were flooded will be worked when the water runs off, while refineries were among the few structures which withstood Gilbert's fury. "The industry has withstood the effects of hurricane Gilbert exceedingly well," reported Mr Hugh Hart, the Mining Minister. He said the sector would achieve full production by the end of this week.

An effort to meet the more immediate needs for foreign currency will be made this week when Mr Seaga meets with representatives of the Inter American Development Bank. The Prime Minister will visit Washington later this week for talks with the International Monetary Fund, which last month granted the country a standby credit package of $114m, to be drawn down over the next 14 months.

Government officials were not sure whether the Prime Minister would be asking for more funds, or would seek a waiver of some of the loan conditions.

Hurricane Gilbert also brought to a sudden and premature halt the hectic campaigning for a general election, which is due by mid-December. Mr Seaga and Mr Michael Manley, a former prime minister and leader of the opposition People's National Party, have both agreed that the voting will not be unduly delayed, although they have made allowance for the ability of the country to stage proper elections in the wake of the hurricane.

Mr Seaga, whose conservative Jamaica Labour Party has been behind in the public opinion polls, said he will abide by the constitution in setting a date for the elections. It is not clear, however, to what extent, if any, he will make use of a constitutional provision which allows a three-month delay in the event voting is made difficult by circumstances including natural disasters. Mr Manley, who headed a social democrat government in the 1970s, says he expects an election by January 10 next year.

Jamaican cynics, of whom there are more than a few, suggest unfairly that neither Mr Seaga nor Mr Manley is keen to take on the task of trying to put the pieces back together. Both politicians would dispute this. But both must be equally aware that governing Jamaica for the next few years will be more than slightly demanding.

Brazil debt signing this week

By John Barham in Sao Paulo

BRAZIL will formally resume membership of the international financial community on Thursday when Mr Mailson da Nobrega, its Finance Minister, signs a $5.2bn debt package in New York.

But agreement with the banks does not signal the end of Brazil's economic problems. As a Sao Paulo-based US banker said: "This gets Brazil back in the good graces of the big banks in time for the International Monetary Fund annual general meeting, but they will soon start having problems with Brazil." He said the agreement may start coming apart by the end of the year as the economy worsens.

The second tranche of the record $5.2bn loan is tied to economic conditions established by the IMF and World Bank co-financing projects.

The IMF agreed to relatively liberal economic targets for Brazil. It accepted a 4 per cent public spending deficit and a 600 per cent inflation rate for this year. Both those targets now seem unattainable. Prices are likely to increase by more than 24 per cent this month, pushing the 12-month rate to 600 per cent, and politicians have managed to blunt Mr da Nobrega's budget-cutting axe.

The immediate problem is centred on the World Bank's $500m loan for Brazil's electricity generating industry, a key feature of the debt settlement. At the end of August, Brazil reshaped its nuclear energy policy by giving the state electricity company Eletrobras responsibility for nuclear power. The World Bank is worried it may end up subsidising the bankrupt nuclear sector. It is to delay disbursement of the loan until November.

The only positive aspect of the Brazilian economy is its big trade surpluses. In August, Brazil recorded a $2.07bn surplus making a $17bn surplus for the year possible.

Rising exports have kept the economy out of recession, but at the cost of fuelling inflation. Exporters have to convert their hard currency earnings into cruzados, swelling the money supply.

● Royal Dutch Shell's Brazilian subsidiary is the first foreign mining company to begin selling its assets after the new Brazilian constitution severely restricted foreign mining activities. Shell has decided to sell two mines that produce gold and cobalt, nickel and copper. The sale should be completed this month although the company would not identify the purchaser or indicate the mine's value.

Foreign mining companies are estimated to control between 19 and 38 per cent of Brazil's mineral reserves.

Shell said it would concentrate on fabricating and metallurgy as well as on oil and petrols.

Caracas 'seeks new debt deal'

THE Venezuelan Government will soon ask international banks for a new restructuring of its $25bn in public sector foreign debt, according to press reports published in the capital today, writes **Joseph Mann** in Caracas.

At the same time Venezuelan officials are studying financing options, including new loans from commercial banks, aimed at offsetting a large balance of payments gap projected for this year.

Venezuela's most recent debt restructuring, covering about $21.1bn out of the $25bn, was signed in the autumn of 1986. The agreement called for a 14-year payback period, interest at ⅞ per cent over the London Inter-Bank Offered Rate (Libor) and a $750m lump-sum principal payment.

But as oil export revenues have declined, payments on public and private sector foreign debt have eaten up increasingly large shares of Venezuela's export earnings.

Canada confounds the pundits as growth surges

David Owen on the issues which will determine if the economy has a hard or soft landing

THE Canadian economy continues to defy the forecasters. Despite persistent projections of a slowdown, real Canadian GDP again surged ahead at an annual rate of 4 per cent in the second quarter, according to figures published last month.

This heady rate of progress has been achieved even though the fastest growth has consistently been confined to Ontario and Quebec. With the lacklustre oil market seemingly putting paid to Alberta's hopes of a bumper year and the drought playing havoc in the Midwest, only the Pacific coast province of British Columbia has a realistic chance of keeping up with the country's industrial heartland in 1988.

Canada has now enjoyed five-and-a-half years of uninterrupted growth since the end of the deep 1981-2 recession. During this period, the economy has expanded faster than in any other of the big seven industrial countries. Why has the latest growth phase in what has traditionally been something of a boom-bust, commodities-dependent economy been so prolonged?

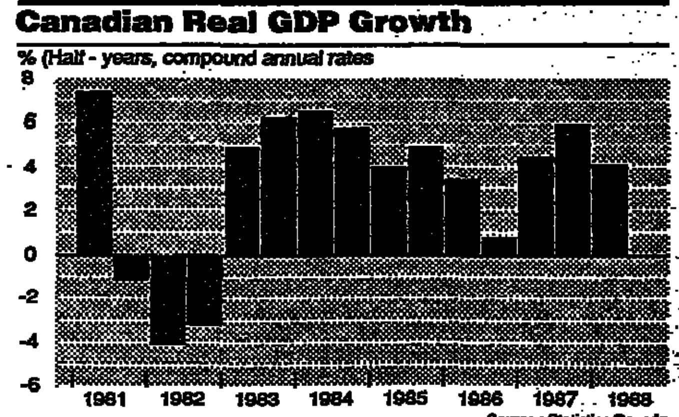
The pat answer is that Canada today is much less commodities-dependent than it once was. The rapid expansion of the automotive sector in particular has made the economy markedly more diversified – and hence more robust - than it was even 10 years ago.

This has enabled Canada, in turn, to take full advantage of its enviable position on the doorstep of the vast and dynamic US marketplace. As Mr Ian Russell, an Investment Dealers Association of Canada vice-president observes: "Growth has rotated across the major sectors of the economy during the recovery period in response to changing economic conditions."

It was a surge in exports, fuelled partly by the depreciation of the then sickly Canadian dollar, which in 1983-84 paved the way to recovery from a recession described by Mr Carl Beigie, McLean McCarthy's chief economist, as "the closest to a modern depression as you are going to get". The commodities sector, however, was not the primary engine of this export growth. (Most commodities markets were depressed and destined to become more so.) This role was filled uncharacteristically by manufactured goods. In 1984-85, vehicles and vehicle parts accounted for fully 27 per cent of exports.

When the US consumption boom largely responsible for the rise in Canadian exports cooled off in the middle of the decade, the domestic housing and consumer sectors picked up much of the slack, helped by rising income and falling interest rates. Housing starts

Canadian Real GDP Growth



peaked at a record 246,000 in 1987. Meanwhile, consumer spending accelerated at an average annual rate of 9 per cent in nominal terms in the 1985-87 period. On a less positive note, this has resulted in a marked reduction in traditionally high Canadian savings rates.

Since mid-1987, Canada's still formidable commodities sector has finally come into its own, thanks to much healthier markets for metals and forest products. Profits at such as Inco and Noranda have been all the more impressive for the cost reductions achieved during the lean years.

With the revitalised Canadian dollar once again eroding the sector's international competitiveness, business capital spending is stepping in to sustain further growth. In the second quarter, such spending was up a remarkable 20.6 per cent from a year ago.

So far, capital outlays have proved relatively resilient to higher interest rates. Analysts attribute this both to recent strong profitability and the extent to which the private sector has reduced its debt load in recent years. At a time when US debt-equity ratios have been rising steeply, the average prevailing level for Canadian corporations has dropped from 75 to less than 60 per cent since 1982.

But prime last week hit a 2½-year high of 11¾ per cent. With the central bank under Mr John Crow seemingly determined to keep inflation (3.6 per cent in the second quarter) under tight control, current economic debate revolves less around whether or not growth is poised to slow down as whether the economy will experience a hard or a soft landing.

Much may depend on the aftermath of the two election campaigns expected to take place in North America this autumn. Ironically, events south of the border may ultimately have a more potent impact than the expected Canadian general election.

Just as the vigorous growth engendered by the first flush of Reaganism helped spur the Canadian economy into recovery, so the assiduity with which the new President sets about bringing down the two-pronged US deficit will have highly significant repercussions north of the 49th Parallel. "Although the timing is hard to foretell," said the OECD in its latest Canadian economic report, "the eventual correction of US external deficits could put pressure on the Canadian trade balance."

On the other hand, such is the link between US and Canadian capital markets that Canadian growth may also be hit if the new US President is insufficiently resolute in his approach to the trade and budget deficits. Under this scenario, the high interest rates needed to attract foreign funds to continue to finance US over-spending would be the villain of the piece.

As a by-product, they would also make it more difficult for Canada to reduce its own C$400bn accumulated public sector debt by inflating servicing costs. For the 1988-89 fiscal year, the Canadian Treasury earmarked C$32bn out of projected total spending of C$132.3bn for debt payments. This, in turn, would have a bearing on the position of Canada's current account. In 1987, higher interest payments helped to push Canada's current account deficit to a record C$9.6bn, despite a healthy trade surplus of C$10.3bn.

"Without smaller budget deficits, large external deficits are likely to persist," said the OECD.

On the domestic front, the forthcoming Canadian general election campaign will have important ramifications for the economy, since it will determine the fate of the US-Canada free trade agreement. The still unratified agreement, scheduled to come into effect next January 1, will eliminate most remaining bilateral tariffs by the end of the millenium. For it to survive (at least in present form), Mr Brian Mulroney's Conservatives will have to secure a second successive majority.

OVERSEAS NEWS

Harvesting the fruits of development

John Elliott visits a rural project in Pakistan

Crops of dried apricots are bringing new prosperity to 60 tiny villages in the remote Baltistan mountain deserts of northern Pakistan.

Instead of burning their fruit trees as fuel, the villagers have been taught how to dry this traditional local fruit chemically; in the last harvest season they produced over 70 tonnes of apricots worth Rs 1m ($55,600)in retail markets.

In the adjacent area of Gilgit, 26 families in Shahtote, one of the region's poorest villages, have transformed their lives by building a 6,300ft long irrigation channel which has increased their cultivated land more than tenfold and produced good crops of wheat, potatoes and other vegetables as well as fruit from 1,500 new trees.

These are two examples of the dramatic results achieved by a five-year-old, co-operative based rural development project called the Aga Khan Rural Development Programme. It was launched by the Aga Khan, the Imam (hereditory spiritual leader) of 15m Ismaili Shia Moslems, whose Geneva-based headquarters runs and partially finances the work. But the bulk of current Rs 110m annual expenditure is now being provided by the UK, Canada and Holland.

Unlike most other third world development programmes, where specialists try to impose their ideas on local people and then leave a vacuum behind when their work finishes, the programme is based on villagers being persuaded to set up their own co-operative organisations.

The organisations then choose, execute and maintain projects involving the establishment of infrastructure such as irrigation channels, link roads, fruit orchards and marketing arrangements. But no-one is using the word co-operative, which has a bad name in South Asia because of numerous past and current failures.

The Aga Khan Foundation finances a village's first project with a grant, but insists that the village organisation opens a bank savings account to provide loan collateral for later developments.

"Our main aim is not just to execute the irrigation and other projects, but to get the people organised for development," says Mr Shoaib Sultan Khan, the project general manager, who has developed principles started in the 1970s at Comilla in Bangladesh.

The World Bank described the programme as "impressive" in a report last year and is looking into its possible extension to other countries.

The village co-operative principles are also about to be reproduced on two nearby projects, together costing $15-20m, one by the Pakistan Government backed with aid from the US, and the other by the Asian Development Bank working with the International Fund for Agricultural Development.

There is an unusually long and flexible development horizon of 10 or maybe more years, compared with most development sponsors who pack up after five or six years. The 10 year target is to more than double per capita incomes on a egaliatrian basis, and to work the Aga Khan's people out of a job.

The programme has spread to about 50 per cent of the 800,000 population of Pakistan's little-known northern districts of Gilgit, Baltistan, and Chitral, which lie in an internationally sensitive area surounded by Afghanistan, the Soviet Union, China and India, which claims most of the territory.

This is source of the giant River Indus and the meeting point of the Himalayas, Hindu Kush and Karakoram mountain range. The region is one of the most rugged in the world, with gaunt grey-brown mountains, mostly deforested and geologically unstable, plunging into deep ravines. More than half of the land lies above 14,500ft.

The area was controlled until 1974 by local rulers called Mirs and Rajas, whose demise left a power vacuum and stifled what little development had been taking place. The people, all Moslems, eke out a subsistance living from the mostly barren land and are desperately poor. Adult literacy averages only about 10 per cent and is as low as 2 per cent for women.

The economy began to open up in the 1970s with the building of the 470-mile long Karakoram Highway to Pakistan's border with China's Singkiang province. At the end of 1982 the Aga Khan, whose Ismaili followers make up about 30 per cent of the local population, decided to try to bring economic growth and stability to the area.

There are now 915 village organisations with an estimated membership of almost 50,000 households. In the Gilgit district, where the work began in 1983, 90-95 per cent of the households and potential villages are involved. A total of Rs 43m has been saved in bank deposits by individuals through the village organisations. Loans totalling Rs70m have been disbursed for periods of nine months to five years, and are being repaid with a default rate below 2 per cent – compared with over 60 per cent in some developing countries.

In the five years the villagers have built 1,000 km of irrigation channels bringing water from remote glaciers and streams to cultivable areas, 340 km of small roads linking settlements to highways and jeep tracks, 22,000 metres of protective river banks and 36 reservoirs and tanks. From the villages, 1,600 people have been trained as local specialists, working with about 120 professionals. After the initial projects, the programme helps with a range of other developments.

The question now is what happens next. The Aga Khan Foundation's Geneva headquarters has decided to restrict the programme's geographical expansion and it agrees with World Bank recommendations that more work is needed to match the highly successful organisational concept with a "production model" bringing together work on infrastructure, credit facilities, output and marketing.

But the biggest outstanding challenge is to find an effective institutional system – possibly a pyramid of co-operatives – which can be designed to take over and eventually to allow the Aga Khan's people to withdraw and leave a new economic, and social order behind them.

UK NEWS

'No option' for soldiers in Gibraltar shootings

BRITISH soldiers who killed two IRA bombers had "no alternative" but to open fire, a police witness said yesterday at the inquest into the deaths.

The witness, a security officer from the Gibraltar police identified only as officer P, said in the same circumstances he would have shot them too.

Miss Mairead Farrell and Mr Danny McCann became "hyperactive" when they heard a police siren on their way out of Gibraltar, he said.

McCann made a movement as if he were going for a gun and Miss Farrell moved quickly towards her bag – he believed she was trying to trigger a bomb with a radio-controlled detonator.

Officer P, who was armed and on surveillance duty when the soldiers moved in, was giving evidence from behind a courtroom security screen to the inquest in Gibraltar on the two terrorists and a third member of the bomb team, Mr Sean Savage, who was shot down separately.

He told the soldiers' lawyer, Mr Michael Hucker, that there was no doubt in his mind that McCann appeared to be going for a gun and no doubt that Farrell appeared to be reaching for a detonator.

Mr Hucker: "If you had been in the soldiers' position as an armed policeman, what would you have done?"

P: "I would have shot, sir."

Mr Hucker: "And in your opinion the soldiers had no alternative but to do what they did?"

P: "Yes, sir."

The witness P told Mr Hucker it was clear that the siren had suggested to Mr Farrell and Miss McCann that something was happening.

"They became hyperactive," he said.

"Their movements...the expressions on their faces changed. They started eyeballing. Their eyes were going everywhere and their pace immediately changed."

When the caution was shouted, McCann made a rapid movement with his right arm.

Mr Hucker said P was an experienced officer, authorised to carry firearms, and asked: "What did you interpret McCann's action to indicate?"

P: "He was going for a gun, sir."

Mr Hucker: "Have you any doubt in your mind about that?"

P: "No doubt about that at all, sir."

A further witness Officer Q, cross-examined by Mr Hucker, said he picked up 11 cartridges from the scene where McCann and Farrell were shot. He said he had made a good search of the area and did not miss any cartridges.

He said he had been armed with a revolver, but had not drawn it.

Warning on investor risks in power sell-off

By Max Wilkinson, Resources Editor

THE Government has been warned that the larger part of the soon-to-be-privatised electricity generating industry is likely to be unsaleable unless the taxpayer retains part of the financial risk after privatisation.

The warning, from advisers to the industry, reflects growing anxiety in the City about how investors would react to the enormous potential risks of runaway costs of nuclear power plant, poor performance or unforseen safety costs.

This has been highlighted by the abysmal performance record of the Central Electricty Generating Board's Advanced Gas-cooled Reactors.

The board has more than 3,000 MW of AGR capacity – worth about £3bn at current costs – which is still failing to produce power several years after the target date for commissioning.

Industry advisers have pointed out that a similar poor-performance by a privatised nuclear company sector could cause severe financial embarrassment to shareholders, and perhaps even bankruptcy.

The main focus of anxiety is on Big G, the private company which will take on 70 per cent of the *CEGB's power stations including its nuclear plant.*

The Government has said that the 12 area boards, which will become private distribution companies, will be obliged to buy a fixed proportion of their electricity from "non-fossil fuel" plant.

However, a fierce debate is now raging within the industry as to how the costs and risks of that nuclear commitment should be allocated.

The Government's outline plan is to arrange contracts and regulations, perhaps with a central purchasing agency acting for all 12 boards, which will allow the costs of nuclear power to be passed on via the boards to electricity consumers.

It has also indicated that it will be prepared to act as the insurer against a major civil nuclear disaster.

However, area boards are now arguing strongly against the idea that they should be forced to accept any costs for the nuclear programme which Big G pushes upon them.

While they have generally accepted that nuclear power will be more expensive than that from coal, they say it is unreasonable that they should automatically pay for engineering failures, construction delays or design *changes.*

Their advisors have also pointed out that the extra costs of nuclear power are likely to be loaded onto captive domestic customers if the Government continues with its idea of creating a free market for electricty in the industrial sector. To avoid this problem proposals have been made for a general "nuclear levy" on all electricty sold from whatever source.

The Government wants to ensure that Big G pays some penalty for any future under-performance of its nuclear plant, but appears to have accepted the argument that the penalty must by tightly limited if the company is to be attractive to the stock market and at the same time have the incentive to invest in a British nuclear programme.

It is likely to look seriously at proposals for taxpayers to share unforseen risks above a certain ceiling and perhaps some of the very large research costs.

However, ministers appear to be keen to reduce Government involvement as much as possible. They would prefer an arrangement which required consumers to pay, perhaps with contract clauses allowing *for renegotiation in cases of exceptional difficulty.*

Owen tells SDP conference his party is 'too young to die'

By Peter Riddell, Political Editor

OPPOSITION parties should jointly press for change in the electoral system if the Thatcher era is to be ended, Dr David Owen, leader of the Social Democratic Party, urged yesterday.

The SDP is the rump of the party which fought the last general election in alliance with the Liberal Party. Most of its members joined the Liberals to form the Social and Liberal Democrats following a split earlier this year, but some remained loyal to Dr Owen and kept the party name.

During his keynote address to the conference in Torquay, Dr Owen argued that the campaign for fair voting and proportional representation was "the great issue" for the party.

He said such a "constitutional coalition" of the parties for electoral reform provided the means for mobilising the majority which existed in Britain in favour of a national nuclear deterrent, of free education and health, and of a market economy.

His call was intended to set out a strategy for his small party after the formation of the merged Social and Liberal Democrats in March. He said the SDP was "too young to die."

Dr Owen argued that neither Labour nor the other minority parties had the capacity to win a parliamentary majority under the present first-past-the-post electoral system, under which members are elected by a simple majority of the votes cast in individual constituencies.

Therefore, he said, it made sense for the opposition groups to co-operate on constitutional changes on which they could agree even if they could not agree on other issues. He urged a referendum on proportional representation.

His remarks were addressed as much to Labour, the Scottish and Welsh Nationalists and the Ulster Unionists as to his former allies in the SLD. However, with the SDP at 5 per cent or less in the opinion polls, there is no sign that other parties will respond to Dr Owen's appeal.

Mr Roy Hattersley, Labour's deputy leader, yesterday brushed aside any talk of co-operation, while Mr Paddy Ashdown, leader of the SLD, said on BBC radio that Dr Owen was "a man on the edge of desperation" who was throwing out a lifeline.

Similarly, there are sharply differing interests within the other minority parties about electoral reform.

Dr Owen's 55-minute speech was warmly received by the conference and, in spite of the problems of the past year, the activists seem to have been pleased with the debates so far which they feel have helped to establish the SDP's identity.

Dr Owen sought to clarify the party's distinctive appeal on issues such as defence and support for the health service, as well as the market economy. The conference yesterday backed proposals for retaining an independent British nuclear deterrent and for a continued private sector role in health provision, alongside a free service.

In his speech Dr Owen praised a number of the personal characteristics of Mrs Thatcher. However, he also sought to answer charges of moving towards the Conservatives by distancing himself from the Prime Minister over her use of patronage, over her attitude to public services and to South Africa and the development of the European Community.

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Attacks on fiscal stance far-fetched says Lawson

By Philip Stephens, Economics Correspondent

MR NIGEL LAWSON, Chancellor of the Exchequer, yesterday dismissed as "far-fetched" suggestions that the Government's fiscal policy was too loose and said that higher interest rates would reverse the deterioration in Britain's trade position.

In a lengthy interview with the *Italian financial* newspaper Il Sole-24 Ore, Mr Lawson also dismissed suggestions that tax relief on mortgage interest payments had contributed to the recent surge of demand in the economy. He added: "We have no intention of abolishing mortgage tax relief."

The Chancellor's comments, which included a re-affirmation of his firm opposition to any form of direct control on credit, came ahead of official figures today which are expected to indicate accelerating money supply growth.

M0, the narrowest money supply indicator, is widely expected to show growth of over 7.5 per cent in the year to August, well outside the official 1 to 5 per cent target range.

The annual growth rate over six months, which has been given particular significance in the Treasury, is expected to grow to about 10 per cent.

The buoyant money supply and expectations of further large trade deficits in the next few months have led to speculation in financial markets that the Government may again raise interest rates.

Mr Lawson acknowledged that the rapid growth in the deficit during the past few months was a sign that domestic demand in the economy had been growing too rapidly.

"It is clear that demand growth does need to slow down. Our recent increases in interest rates will have that effect over time and that will bring down the deficit," he said.

Asked whether the trade gap was also a reflection of an excessively relaxed fiscal policy, he described such suggestions as far-fetched at a time when the Government had a large budget surplus. "Rather than fuelling demand by borrowing, we are repaying debt."

Referring to his exchange rate policy, the Chancellor appeared to confirm some shift in focus away from the D-Mark in recent months.

"The Government paid close attention to the pound's rate against the D-Mark but it also took account of the dollar and other currencies."

The overriding priority was that monetary policy as a whole was sufficiently tight to bear down on inflation.

He restated the familiar position that Britain would join EMS when the time was right.

He insisted that the proposed liberalisation of capital flows within the Community would not impose a timetable.

He was similarly downbeat on the prospects of any broader agreement at next week's annual meeting of the International Monetary Fund on his proposals for a system of "managed floating" for exchange rates.

● Mrs Margaret Thatcher, Prime Minister, who will visit *Belgium, Luxembourg,* and Spain, in the space of four days from today, will underline the Government's commitment to co-operate in preparations for the barrier-free Market starting in 1992.

But she will emphasise that she is not be prepared to submit to proposals which would involve member-states surrendering control over their own economies and currencies.

Joint venture makes medicines from milk

By Peter Marsh

TRANSGENE, a French genetic engineering company, has taken a stake in Pharmaceutical Proteins, a UK concern which intends to make human drugs from materials secreted in animals' milk.

The French company is among a number of investors which have provided £1.2m to enable Pharmaceutical Proteins to continue its development programme.

The new funding takes the sum so far invested in Pharmaceutical Proteins to £1.6m. The company, based in Edinburgh, hopes to raise a further £3m in investment late next year.

Apart from Transgene, other investors in Pharmaceutical Proteins include the Scottish Development Agency, the Prudential insurance company and Transatlantic Capital and Alan Patricof Associates, two venture capital concerns.

Pharmaceutical Proteins is conducting research aimed at changing aspects of animals' biological mechanisms in such a way that valuable proteins are produced in significant concentrations in their milk.

The work is based on studies originally paid for by the Agricultural and Food Research Council, a government research body.

So far the company has experimented with about 50 sheep which are producing in their milk Factor-9, a blood-clotting protein used to treat haemophiliacs, and alpha-1-antitrypsin. The latter is a naturally occuring substance which *can be used to combat emphysema*, a lung disorder.

Mr Graham Turnbull, the company's managing director, said that the work so far had been promising but that full-scale production of such drugs would require more development work together with facilities to purify the materials.

Pharmaceutical Proteins hopes in the early 1990s to market products arising from its studies. It may sign distribution agreements with established drugs companies to facilitate sales.

The company is looking at the possibility of making other *kinds of proteins as well as the* two on which it has concentrated so far. One candidate is Factor-8, another medication of use to haemophiliacs.

Mr Turnbull said the company was in the early stages of increasing its workforce as part of its bid to move into large-scale production. It aims within the next year to increase its full-time employees from three to about 25.

Nuclear safety talks start

By David Fishlock, Science Editor, in Vienna

BRITISH and Soviet nuclear safety experts meet in Vienna today to discuss bilateral cooperation on the policing of nuclear reactor safety.

Britain is seeking a bilateral agreement to examine and police each other's regulatory arrangements for reactors.

It has proposed that a team of Soviet nuclear inspectors should study a representative sample of British reactors with their UK counterparts, to gain a better understanding of European ideas on regulation.

After the Chernobyl nuclear accident in 1986, Britain took the lead in calling for nuclear nations to work towards an international system of auditing each other's legal requirements and practices on safety.

Eventually, it hopes, the International Atomic Energy Agency in Vienna could organise teams to visit each country.

UK NEWS

British companies win £350m Channel tunnel orders

Benefits 'go beyond London area'

By Andrew Taylor, Construction Correspondent

MORE than £350m of orders for work on the Channel tunnel project have been won by UK companies since the project got underway at the end of last year, Lord Young, Trade and Industry Secretary, said yesterday.

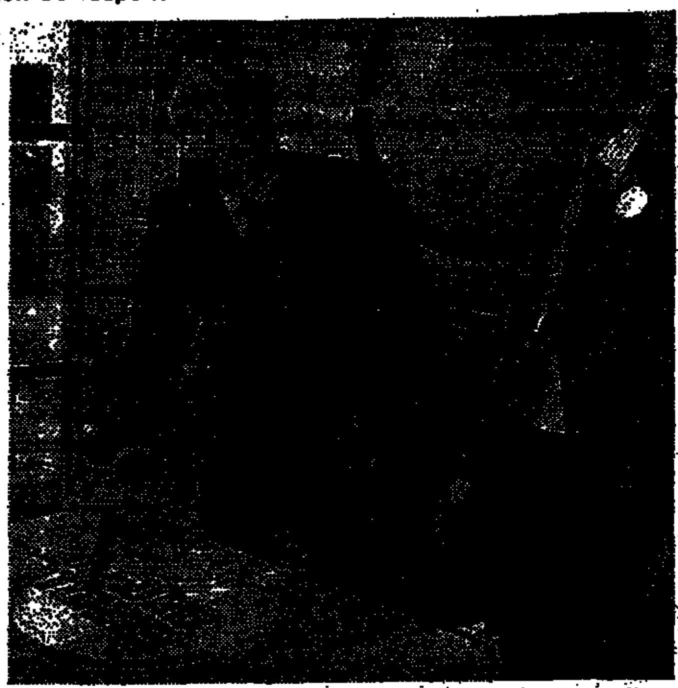
Lord Young, speaking in Folkestone, Kent at the opening of an exhibition centre marking the construction of the tunnel, said that orders worth £57m had been placed in Scotland, £32m in the north of England, £90m in the Midlands, Yorkshire and Humberside and £15m in the south-west and Wales.

He said the figures refuted previous claims that most of the work would be concentrated on companies in south-east England.

Lord Young said manufacturing industries outside the south-east would also benefit when the tunnel opened in 1993.

"It will provide a fast, reliable through-rail link to carry freight to the heart of European markets. The potential advantages for manufacturers can be substantial, with time-tabled, computer controlled delivery to anywhere in Europe," he said.

"Companies in the north, in Scotland and other regions will be better able to serve their European customers and compete on an equal basis with continental manufacturers already linked to the wider European rail network."



Lord Young and Alastair Morton at yesterday's opening

He said the Government was determined that communications would not stop at the entrance to the tunnel.

"The tunnel is not just for London. It is for the whole country," said Lord Young.

British Rail's plans to provide a rail link from outlying regions to the Channel tunnel have been criticised as inadequate by some business leaders and by local politicians who fear investment and employment will suffer in the regions unless a high speed link is provided, by-passing London.

Critics say investment will continue to be concentrated in the south-east, accentuating the regional divide, if companies in other parts of the country cannot easily get their goods to the tunnel's mouth on the Kent coast.

● Mr Robin Morris, a transport industries specialist, told a symposium last week that the Channel tunnel could turn Liverpool into Western Europe's most important deep-sea port if Britain became a "landbridge" between the Mersey and Calais.

Liverpool could, he said, develop as a vast container terminal served from Europe by rail through the tunnel.

Mr Alastair Morton, joint chairman of Eurotunnel, the Anglo-French consortium, told the symposium on the effects of the tunnel on Merseyside that Liverpool needed to develop a container port able to turn ships round quickly, as well as improved rail links to the west coast main line, about 35 miles from the port, and beyond.

Metal Box, Lawson set up PET venture

By Maggie Urry

METAL BOX and Lawson Mardon, two packaging groups, are setting up a joint venture company to pool their polyethylene teraphthalate (PET) bottle making capacity. The new company will be called Impetus Packaging and will be owned 50:50 by its two parents.

PET bottles, typically in one litre or three litre sizes, have been gaining from glass as packaging for soft drinks, beer and cider. It is a large and highly competitive market, and one where technology is developing rapidly.

Mr John Spruell, managing director of Metalbox Beverage Packaging, said: "This joint venture enables us to become a strong force in the European PET bottle market in preparation for 1992 and also gives us the strength to defend our position in the home market."

Mr Marcel Pilon, chairman of Lawson Mardon's rigid plastics and metals division, said: "We believe the PET technology existing between our company and Metal Box is in advance of anything else we see in Europe. The joint venture will permit Impetus Packaging to maintain this lead and compete efficiently in the European-wide market."

The new company will employ 460 people at five locations – Metal Box is contributing its plants at Gresford, North Wales, and Beckton in London; Lawson Mardon is putting in three factories at Corby, Northamptonshire, Letchworth, Hertfordshire, and Edmonton, London.

The company will have a net asset value of £26m, and expects turnover in the first year to be over £60m.

It intends to set up manufacturing bases in Europe, to match moves by the large customers, such as soft drinks companies, to become more European in sourcing. Transporting empty PET bottles for long distances is often not economic because of the low price to volume ratio.

Impetus Packaging will sell either the completed bottles or "pre-forms" from which customers can make their own bottles at in-house blowing plants, a growing trend within the bottling industry. It will also provide customers with equipment and technical back-up to set up their own blowing plants.

The company will also supply the Middle East and North African markets from Europe.

ICL wins network order

By Terry Dodsworth

COLLABORATIVE arrangements between ICL, the UK computer group, and Northern Telecom of Canada, have borne fruit in an order for a £10m telecommunications network at the Nationwide Anglia Building Society.

The new network will allow Nationwide to retain the two computer systems inherited from its merger with Anglia. While mortgage processing will be standardised on one set of computers, and investment operations on another, ICL will develop a network allowing terminals in the branches to link up with both.

Mr Peter Bonfield, ICL's chairman, said it would have been difficult for the company to win the contract without the deal with Northern.

The Canadian company is supplying the network's packet switches, devices which control the flow of messages through the telephone system.

Bar on opencast pits 'puts jobs at risk'

By Maurice Samuelson

MORE THAN 29,000 mining jobs are at risk because of local authorities' reluctance to authorise new opencast coal mines, Sir Robert Haslam, British Coal chairman, said in South Wales yesterday.

At the present rates of opencast approvals, the industry would be halved in size in three years. This would jeopardise half of the 18,000 jobs in UK opencast mining, and a further 12,000 jobs in deep mines where output is blended with opencast coal to assist sales to customers.

Only 22 per cent of initial planning applications for new sites were now approved compared with 90 per cent three years ago. Even after the applications had gone through public inquiries, the success rate reached only 35 per cent.

UK NEWS

Weighing up the fuel waste options

David Fishlock *hears arguments in the nuclear controversy*

TO REPROCESS or not – that is the question which is preoccupying the nuclear industry. Is it better to keep the highly radioactive nuclear "ash" canned as spent fuel, or chemically separate spent fuel into its components by reprocessing, recover unused fuel, and deal appropriately with a much smaller volume of nuclear wastes?

The controversial subject was aired at the closing session of the recent Uranium Institute's symposium in London.

Britain and France are firmly wedded to "closing the fuel cycle," and hence to reprocessing. West Germany expects to follow this route, but its construction of a commercial reprocessing plant at Wackersdorf is fiercely fought by the Greens.

Other countries such as Sweden and Finland claim it is more economic to store spent fuel and eventually to bury it permanently as nuclear waste. Another is South Africa with two big reactors operated by Eskom, which told the meeting: "Until such time as a large nuclear power programme is developed, cost considerations rule out both supporting a local reprocessing capability and reprocessing overseas."

Unlike most European countries, South Africa is a producer of low-cost uranium. It has also signed an agreement with France that fuel from its two reactors at Koeburg, built by the French, will not be reprocessed inside the country, to allay any suspicion that the plutonium by-product might find its way into weapons.

Senior Eskom executives said they were keeping options open by arranging to store the fuel for at least 20 years, initially at Koeburg and later at its nuclear waste repository at Vaalputs 500 km away. When South Africa had 10 to 15 times as much nuclear capacity as today – perhaps in 30 to 40 years' time – they believed it would need to chose between permanent disposal and reprocessing.

For a nuclear nation with no indigenous uranium resources the progress of Urenco, the Anglo-German-Dutch enrichment company, in re-enriching uranium separated from spent fuel is of greater interest.

Mr Blackwell Gresley, head of Urenco's contracts office, estimates that by the end of the century Europe's reprocessing plants in Britain, France and Germany will have recovered 29,000 tonnes of uranium. That was enough to refuel 200 big reactors.

The problems of re-enriching this fuel – mostly associated with the build-up of radioactive constituents – had been overcome, and were best tackled commercially by treating it without delay, he argued. The "modest premium" incurred still left utilities with sufficient incentive to re-use the uranium.

West Germany reported on a national programme running since 1980 to demonstrate that plutonium made by transmutation of uranium in the reactor can be separated by reprocessing and re-used as fuel for the same reactors.

Mr Peter Schmeidel, Siemens-KWU's general manager for nuclear fuel marketing and projects, said the price of mixed oxide (mox) fuel enriched with plutonium would be only about half of its present-day price when Alkem's new plutonium fuel fabrication factory was operating, with three times the present German capacity. By 1996, mox fuel assemblies would show a total cost advantage over uranium fuel assemblies "by a factor of almost two," he forecast.

Mr Schmeidel claimed the advantage was big enough to give the industry confidence in plutonium recycling. "This will provide a substantial contribution in the near future to reducing the overall back end cost of the closed nuclear fuel cycle."

More than half of German's nuclear reactors are either already licensed to use mox fuel, or expect such a licence soon.

A strong correlation existed between a country's strategic, long-term commitment to nuclear energy, and its choice of reprocessing and the re-use of unused fuel, Mr Jean-Claud Guais, Cogema's general manager for marketing and business development, said. As he saw it, a nuclear nation today faced one of three situations:

- Some were clearly engaged in long-term development of nuclear energy, and had decided – or would decide – in favour of reprocessing and the recycling of unused fuel.
- Some faced a difficult future for nuclear power, with the prospect of a progressive phase-out, and had no need of fuel recycling. They favoured non-retrievable disposal of spent fuel.
- Some adopted an intermediate policy, storing fuel in such a way as to leave open the possibility of retrieving it in the future.

Mr Guais cited Japan as having made the most complete analysis of these options. It had come to the conclusion that the closing of the fuel cycle promoted the peaceful use of nuclear energy on an independent and stable basis.

Ulster industry seeks economic revival plan

By Our Belfast Correspondent

NORTHERN IRELAND's business leaders have urged the Government to formulate an economic regeneration plan based solely on the needs of the local economy.

The recommendation contrasts sharply with the views of Mr Peter Viggers, Northern Ireland Industry Minister, who is opposed to the idea of an economic plan for Ulster.

The province's business leaders argue that financial assistance and initiatives from economic development agencies offer only part of the answer to Northern Ireland's economic ills.

Support for the economic plan emerged in a survey commissioned by Touche Ross, the chartered accountants and management consultants.

Researchers approached chief executives and senior managers in the manufacturing and services sector of the economy. The 112 companies employed almost 40,000 people ranging in size from 50 to 1,000 employees.

Four out of five employers questioned backed calls for an economic plan and almost the same number felt that such a strategy should deal exclusively with the province and not be an extension of UK government policy.

Of those questioned 81 per cent felt there was a need for an economic regeneration plan for the province and 79 per cent considered that the plan should be developed to deal exclusively with Northern Ireland and its particular local problems.

Hurd accuses film makers of 'designer violence'

Financial Times Reporter

MR DOUGLAS HURD, Home Secretary, last night spoke out against what he termed "designer violence" in films and videos.

He said the importance of discipline at home and school had been denigrated for too long, and criticised producers and editors who "glorified a bogus masculinity characterised by aggression."

Mr Hurd, who was speaking to Conservatives in Lancaster, said: "The struggle against violent crime will be long and difficult. Just as the virus of a disease can mutate from one form to another, so violent crime infects our society in a number of different ways."

The Government had increased police strengths, embarked on a prison-building programme and tackled sentencing policy. Mr Hurd said he welcomed longer sentences for violent crime. "In particular, from figures just becoming available, I can say that the average length of sentences for rape has increased by more than 60 per cent in the last three years," he added.

Police, prisons and the courts could provide only part of the answer. "The roots of violent crime lie deep in the social history of recent decades. For too long we have denigrated the central importance of discipline in the home and in the school. Film and video makers have given us 'designer violence', intended to titillate and amuse rather than revolt the viewer. Producers and editors had glorified a bogus masculinity," he said.

MANAGEMENT: Small Business

The trouble with banks

Despite their efforts to attract small business, the Big Six are still perceived as a cosy cartel. **Charles Batchelor** reports

One small British company complained to its bank that it had been wrongly charged "management fees" on its account. The bank manager agreed the fees were unjustified, wrote to confirm the amount would be repaid, and charged the small businessman £5 for the letter.

Another small businessman agreed a £5,000 overdraft and £20,000 development loan with his bank manager but had to provide £55,000 worth of collateral in the shape of the deeds on his house.

These two business people were lucky, according to the results of a highly critical account of the way banks deal with their small business customers, which was published last week.

Many business people have no idea what their bank charges actually relate to, while the average collateral British banks take out on small business loans is four times the sum borrowed.

Small Business and Banks: A Two Nation Perspective* looks at the way banks in Britain and the US treat small business people. The situation in the US, where 14,200 banking groups, many of them with only one office, compete for business, may not be ideal.

But the American small business experience appears to compare favourably with the UK, where six large banks dominate.

The survey, which prompted responses from more than 5,400 small businesses in Britain and the US, is the first large-scale review of small firm banking relationships for many years. It drew on the experiences of the 11,500 members of the Forum of Private Business in the UK and the 500,000-strong National Federation of Independent Business in the US.

The complaint of small companies in Britain is that bank charges are being applied to a wider range of services and are increasing at a far faster rate than appears justified.

The report recommends that the banks explain their charging system to clients and consider the greater use of negotiable charges more closely related to the particular needs of different small firms.

The survey shows that British companies pay higher rates of interest than their US counterparts though the authors acknowledge that different ways of calculating rates mean there is little real difference between the two countries. More worryingly, British companies make far greater use of overdrafts, which are slightly more expensive than term loans, while US banks seem more willing than their British counterparts to adjust lending rates to the circumstances of the borrower.

It is in the levels of collateral demanded that the most striking comparison emerges between Britain and the US. British banks require on average four times the sum borrowed while US banks require just 1.2 times.

The high level demanded by UK banks on the initial loan makes it more difficult for British companies to return for more money later, Stan Mendham, chief executive of the forum, says.

Small businesses are also concerned about the availability of finance. In the UK it is the high-flying small company, typically with between 10 and 20 employees and sales of £250,000 to £350,000, which has difficulty raising expansion finance, while in the US it is the very small company, with sales of less than $75,000, which has problems.

A worrying symptom of Britain's highly concentrated banking network is the lack of competition between banks. Small businessmen believe the bankers operate a cartel.

In the US, by contrast, competition appears more lively. When all three banks in one small county in Tennessee were bought by out-of-state banks two groups of local businessmen established banks to provide home competition for the "foreigners", according to John Sloan, president of the National Federation.

What are small business people doing to improve the quality of service they get from their bank? Not a great deal, the survey shows. Relatively few are willing to change their bank. Seventy three per cent of British small business owners polled had not looked for a new bank in the previous three years, while in the US 62 per cent of business did not change banks.

Many British businessmen felt there would be no improvement in the service if they changed because of the lack of competition, while 9 per cent felt there would be repercussions if they attempted to move. Others felt they got a better service from a bank manager they had known for some time.

Alan Douglas, owner of Teleportation, a car hire and courier company based in London, believes businessmen only get good service from a bank if they have a long-standing relationship with a particular manager.

"If I had not moved my account to stay with my bank manager when he moved in March I would be bankrupt by now because the postal strike would have delayed all my cheques," he says. "I dread the time when he gets promoted or moves again. The banking system only works when you know the manager well. That is a condemnation of the whole system."

What do the banks make of all this? They have been leap-frogging each other in the past three years to provide interest-free banking to new small business customers in credit, special loan and advice packages, and free books on how to set up in business.

Not a lot, appears to be the answer. Bob Kelly, deputy manager of Midland Bank's small business unit said the report's findings were worrying but he felt that some of the complaints were "a question of perception."

Andy Hunter, small business finance manager at National Westminster, agreed it was a matter of how small firms perceived the quality of service they got from their bank rather than any failing in service itself.

On bank charges, Hunter points out that his bank had published details of its standard business tariff while a glance at the interest rate structures of the different banks would show variations which resulted from competition.

The apparent similarity of the service was the result of competition rather than the lack of it, he says.

Whoever is right, the banks or their small business customers, the Forum and the National Federation plan to press on with their scrutiny of the banks. They plan a detailed comparison of the service provided by banks in different regions of the country and to different types of business. The most controversial study, though, is likely to be one comparing the individual banks.

** By Graham Bannock and Victor Morgan. Available, price £75, from The Forum of Private Business, Ruskin Chambers, Drury Lane, Knutsford, Cheshire WA16 6HA. Tel 0565 4467.*

Enterprise in the Third World

An escape from poverty

Charles Batchelor on paradoxical attitudes to a predominant way of life

Senior planning officials from an African country were so impressed by the shopping mall they saw in one British new town that they decided that they wanted the same design for their own country's capital city – with one important difference.

The British shopping centre incorporated an open market area where stall-holders sold their fruit and vegetables. This, the only part of the British design which bore any resemblance to trading patterns in an African town, would be inappropriate, the officials decided.

The governments in many developing countries regard small business – the market trader, the roadside mechanic – as a necessary evil to be barely tolerated until their country has developed a big business economy, says Malcolm Harper, professor of enterprise development at Cranfield Business School.

"In many African countries the street hawker is put in jail," he notes. "Governments see small businesses as cluttering up the streets and getting in the way of the minister's Mercedes."

Yet small business is a way of life for 90 per cent of the population of developing countries who do not work on the farm, in government service or for the small number of large companies. Typically, it is represented by the woman hawking her village produce, a barber clipping hair under a roadside tree or a small metal workshop turning out cookware or fire grates.

For most of those involved the motivation is an escape from poverty rather than any dreams of independence, self-fulfilment or wealth which drive many entrepreneurs in the developed world.

The problems involved in stimulating enterprise in rural areas were discussed at a two-day conference held earlier this month at Silsoe College, the rural development arm of the Cranfield Institute of Technology in Bedfordshire.

The isolation of many rural communities makes it difficult to establish viable businesses and expensive to provide assistance. The distances between island communities in the Pacific Ocean mean assistance is intermittent; finding staff to provide training is difficult; and evaluating the impact of any schemes is costly, said John Hailey, a Cranfield lecturer.

Even governments which are not deliberately hostile to the small business person can make life very difficult by their bureaucratic approach. It took two people eight months to set up a small business with all the official licences required in Peru, according to Frank Almond of the Intermediate Technology Group, which helps transfer appropriate technology to the Third World. Not surprisingly, most entrepreneurs stay outside the formal business sector.

How to respond to the needs of the rural poor is a complex subject. India has the longest experience of schemes designed to help village communities but continues to experiment with programmes which it hopes will improve on its previously mixed record of success.

'Governments see small businesses as cluttering up the streets and getting in the way of the minister's Mercedes'

The Industrial Development Bank of India is currently assessing what it calls its Block Adoption Programme which is attempting to stimulate enterprise in 12 blocks (administrative areas smaller than a district).

"Many developing countries imagine that it is enough to make subsidies available and then the small entrepreneur will set up and market his products," says Brij Mohan, operational head of the programme. "That is not so. We need to convert the subsidy approach, which only breeds corruption, into the business approach."

The Industrial Development Bank has recruited teams of independent consultants to go into the chosen rural areas for five-year periods. They help villagers get loans from local banks; provide training; and help them get any official licences which are required.

Typical rural ventures which have been backed have been mushroom growing, light engineering, leather tanning and handloom weaving. In one rural area the advice team helped set up a poultry breeding centre which provided training, young birds and loans to seven surrounding villages.

The programme has failed in two of the 12 chosen areas but is doing well elsewhere and has helped create nearly 650 new enterprises employing 2,250 people at an average cost to the bank of $150 per job.

"We had imagined that only the routine types of project would succeed because we were operating in such backward areas, but that is not true," says Mohan. "If the technology is appropriate, the villagers' assimilation skills are remarkable."

The lesson of this and similar programmes is that the backers must be prepared for a long-term involvement in the project. Rural communities are suspicious of "experts" sent in on short-term assignments who fail to understand the local culture and who leave before ventures are properly under way.

Programmes are more likely to succeed if they make use of local organisations which know the area and are acceptable to the people. Quasi-governmental agencies in South Africa have been rejected by many rural communities because they have failed to take account of tribal structures, says Matthew Lynas of the University of Natal.

"The agencies often become impatient with the subtleties of decision-making within the tribe," said Lynas. "They attempt short-cuts and don't recognise community needs and aspirations."

Promoting enterprise does not, by Western standards, require large sums of money. "You can make loans of $10-$15 to allow a woman to buy a basket and start trading and still make money on the loan," says Malcolm Harper.

Small-scale loans are both effective and more likely to be repaid, particularly if they are distributed by a local agency which can impose sanctions on defaulters. By contrast, ambitious government schemes, such as one tried in India, often have high default rates.

The very poor and women are usually the most conscientious in making repayments. Frequently it is the women who are the poorest members of rural communities, particularly when they are bringing up children on their own, said Scarlett Epstein, a consultant in third world affairs.

Domestic responsibilities and social restrictions tend to limit the entrepreneurial role to areas such as trading and food preparation but in these fields they play a major part. Training programmes for women in subjects such as book-keeping could have a big impact in boosting the profitability of such ventures and provide a surer guarantee that the family as a whole would benefit, Epstein says.

Enterprise programmes in the Third World have tended in the past to be synonymous with aid programmes. As such they have not been selective. There are signs, however, that a more selective approach is being taken by some agencies.

"To try to make entrepreneurs from the very poorest with the least access to resources is a waste of time," warns Malcolm Harper. "We cannot rescue the dying refugee from the back of his tent.

This shift of emphasis will require a change in the approach by the voluntary agencies which are being used to channel more government aid to the Third World. "The small, local agencies in particular are reluctant to be selective," says Harper.

In one case, an aid agency's local representative did force the repayment of a loan by seizing a client's camel. He was, however, criticised by his headquarters for damaging the agency's caring image.

The move to greater selectivity reflects an increased awareness among the aid-donors that subsidies alone create an unhealthy dependency. Rather than sap the natural enterprise of rural communities they now seem more prepared to work with it.

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The Financial Times proposes to publish this survey on:

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For a full editorial synopsis and advertisement details, please contact:

Wendy Alexander
on 01-248 8000 ext 3526
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or write to her at:

Bracken House
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FINANCIAL TIMES
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Program to solve the 'software crisis'

Clive Cookson reports on the search for better ways to design complex systems

It is hard to imagine a more challenging job for the computer software industry than to design a communications, command and control system for President Ronald Reagan's Strategic Defence Initiative (SDI).

If the Soviet Union launched a full-scale missile attack on the US, the SDI computers would have to analyse instantly a torrent of information, amounting to perhaps billions of bits of data per second, sort out ambiguities and present senior officers with a single coherent picture of events.

Indeed the computer system is often seen as the Achilles heel of "Star Wars". As a matter of priority, the SDI Organisation in the US Department of Defence is encouraging the development of better and more reliable techniques for designing extremely complex systems, which can process vast amounts of data in "real time" (with only a fraction of a second's delay).

So far the only non-American system design tool which has been evaluated and supported financially by the SDI programme is Auto-G, produced by Advanced System Architectures (ASA), a small UK company based in Camberley, Surrey. Last year the Institute for Defence Analyses (IDA) assessed five leading design tools for the SDI Organisation and found that the two which came closest to meeting requirements were Auto-G and Tags, developed by Teledyne Brown Engineering of the US.

Auto-G is a good example of computer-aided software engineering. Case tools help the designers of complex computer systems to work more quickly and efficiently and to write better programs, in much the same way as Cad/Cam (computer-aided design and manufacturing) tools enable engineers to design and produce objects on a computer screen.

Case is a response to what is often referred to as the "software crisis" – the increasing tendency of complex systems to be delivered late, way over budget and not working properly. According to a recent report on Case by Ovum, a London-based consultancy, the average large software project costs twice as much as its initial budget and is completed a year behind schedule: a quarter of projects are never completed and the remaining three quarters end up so full of errors that software professionals spend more time maintaining existing systems than developing new ones.

The software industry is remarkably unwilling to use computers to improve its productivity and quality. Many systems are still designed with pencil and paper. The design is then converted to hundreds of thousands of lines of computer code by human programmers rather than by an automatic code generator.

According to Ovum, the Case market is still small – worth only $140m in the US last year – but it is growing at almost 100 per cent a year. Even so Case will not be in general use by software development professionals for another 10 years.

Auto-G uses a formal graphical notation, G, invented by Göran Hemdal, who led the development of the successful AXE electronic telephone exchange sold by Ericsson of Sweden. It enables software engineers to build up a system on a workstation in stages, from the initial concept to the most detailed level of design.

When the design is complete, it can be translated automatically into whichever programming language is required. ASA offers translators (code generators) for several languages, including C (used in telecommunications, for example) and Ada (for defence projects).

The working diagrams of Auto-G look superficially like the flow charts produced by conventional systems design techniques but, according to Chris Williams, managing director of ASA, they are very different. "Conventional flow charts may look formal, but they are really just jottings – informal statements of what the system is required to do," he says.

"With Auto-G, every symbol has a formal machine-translatable meaning. The engineers can sort out precisely what they want the system to do at the beginning of the design cycle; they take the ambiguities out of the user's requirements. Then we have a consistency checker to make sure that the design stages are consistent with each other."

Williams argues that Auto-G produces coherence from first concept to completed software, unlike other Case techniques, such as Core from British Aerospace and Mascot from the UK Ministry of Defence, which cover only some of the design stages. The end result, he says, will be more reliable computer systems, produced more cheaply.

In the past two years ASA has sold 18 copies of its Auto-G design software, which runs on DEC or Sun workstations. All the users are building complex real-time computer systems for telecommunications, aerospace or defence applications.

For example, AT&T Philips Telecommunications, the US-Dutch joint venture, is using Auto-G and a C code generator to design a product. George Newsome, senior development engineer, says that with ASA's technology "we expect substantially to reduce the system life-cycle costs of this product, in particular software maintenance costs." Chris Williams of ASA claims that the total savings compared with conventional methods will reach 80 per cent over the life of a typical system.

Paul van Gerven of Atea, the Belgian telecommunications company, calls Auto-G "a major step forward," but says the company has had unexpected difficulty in persuading some engineers to use the tool. "It is such a significant change in our way of design that it takes more time than we expected to get the designers familiar with this tool. Indeed not all of the present designers are capable of using it."

The software industry is remarkably unwilling to use computers to improve its productivity and quality

David Fairbairn, UK managing director of the Case consultancy James Martin Associates, says that he frequently comes across similar problems among companies introducing Case in the industrial and commercial sectors. "Our experience is that one of the biggest difficulties is making the cultural change in an organisation to get these techniques understood and used."

Even the Japanese find it difficult to accept Case. "Some people hate using these kinds of machine," says Shuji Tatebe, who runs Toshiba's software design centre near Tokyo.

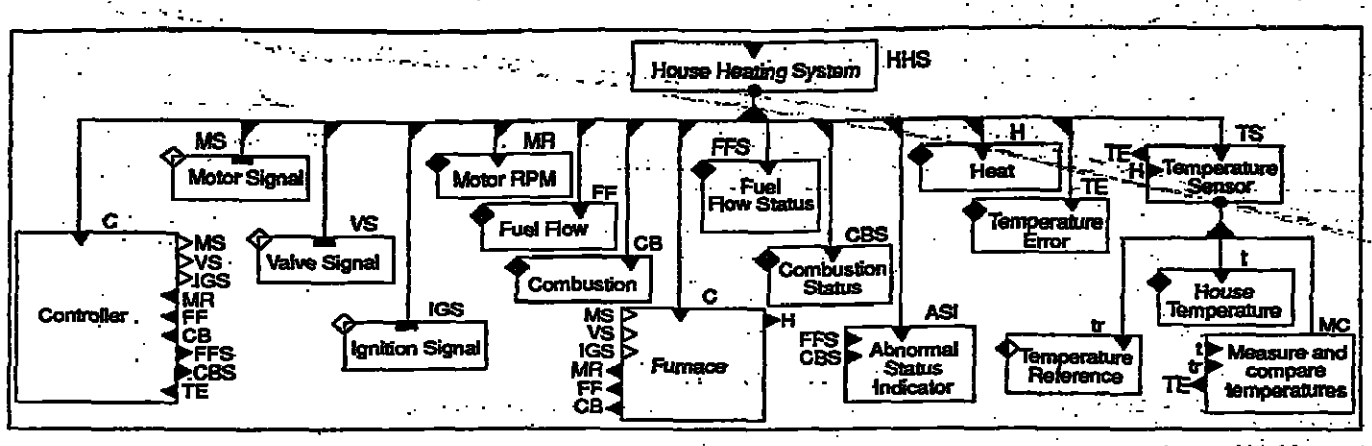
His engineers are using a network of Sun workstations and Toshiba portable computers to design complex computer systems, for example to control nuclear power stations. At Toshiba the final step of translating the system design to programming language is still done manually, Tatebe says, because an automatic code generator could not cope with the complexities of the Japanese language and its Kanji characters.

Fairbairn, a former director of the National Computing Centre, says that successful introduction of Case requires not only management commitment but also extensive staff retraining. "It's comparable with the problems they encountered in the auto industry when they went from job lot assembly to a full production line."

However, one reason why Case tools are sometimes not welcomed by engineers may be that they can be difficult to use. The IDA found that "all the tools have some non-obvious, error-prone or otherwise bothersome features."

Dennis Fife, director of the IDA evaluation, feels that Case tools must also be made more flexible. "The problem with all these tools is that someone up in the clouds has assumed the position of saying what's best for everyone. The tools should be more adaptable so that a user could make up new language forms and new graphics to express aspects of the system's design or behaviour that no one else has thought of."

The unanswered question is how to make the tools easier to use, while maintaining a rigorous and unambiguous approach to systems design.



A house heating system designed with Auto-G, a computer-aided software engineering tool

WORTH WATCHING

Edited by Geoffrey Charlish

BT multiplies calls per cable

BRITISH Telecom has successfully demonstrated coherent (single wavelength) optical transmission of information over an existing optical cable between Cambridge, Bedford and St Neots. The company says such systems, which produce a 10-fold increase in the number of phone calls the fibre can carry, had previously only been shown in laboratories.

In the 1960s and 1970s, fibres could be made to work only in the so-called multi-mode, due to fabrication problems. This meant that the light making up a short digital pulse took a number of paths, by multiple reflections from the inside walls, and arrived at the receiving point at different moments. So the pulses were "smeared" over a longer time interval and fewer could be accommodated, restricting the information carrying capacity (the number that could be sent per second).

From about 1980, improved fibre construction allowed only one mode and "monomode" working was born, allowing much more information to be sent. But because the light used was not a pure colour (single wavelength) and different colours travel at different speeds, there was still some smearing at the receiving end.

In the BT system, lasers and other devices are used to split the light into a number of separate, pure colours. Each colour can carry its own set of pulses, which are sorted out at the receiving end by filters.

Instead of carrying about 7,500 phone calls, a fibre will be able to carry 75,000. But it will be some years before the system is fully developed.

The strengths of ceramic filters

TECHNICAL Insights, a US market research company, predicts that a relatively new product, the ceramic membrane, will constitute a $250m market by 1992.

These new filter units are extremely robust, unlike many conventional devices. While highly effective in removing tiny particles or separating one fluid from another, they allow flow rates to be doubled or tripled by increasing the pressure, but without risking damage to the filter.

They can also be sterilised easily with steam and cleaned by backflushing at pressures of up to 25 atmospheres, using the most powerful of bleaching agents.

Applications include clarification in the food industry, the retrieval of finely divided catalysts in petrochemical production, cell harvesting in the pharmaceutical industry and the treatment of waste water.

Technical Insights has produced a comprehensive report, entitled Ceramic Membranes: New Horizons in Membrane Separation, which costs $1,000 outside North America.

New life for old asphalt

ROADWORKS produce old asphalt which is difficult to re-use because it no longer bonds well enough. Applied alone, it cannot withstand heavy traffic and so has to be mixed with fresh bitumen.

Degussa, the West German materials and equipment group, has been co-operating with universities and civil engineering companies to find ways of increasing the adhesive efficiency of old bitumen. The aim is to save money and eliminate dumping problems.

The work has resulted in a bonding improvement additive, an environmentally acceptable version of a group of chemicals called silanes, which are compounds of silicon and hydrogen. The chemical allows the amount of old asphalt mixed with new to be increased by one third.

Tests show that the revitalised material meets today's specifications and trials are in progress on the A5 autobahn near Frankfurt.

Telephones for private fliers

TELEGLOBE, of Canada, plans to introduce a satellite communications service for corporate and private aircraft during 1990.

Called Aerosat, it will provide such aircraft, flying in the remotest of areas, with reliable communications to most parts of the world.

Signals will travel from a flush-mounted aerial in the roof of the aircraft, via one of the geostationary communications satellites, to a ground station and from there into the global telephone system.

The airborne equipment and ground station have been developed with the Canadian Government's Communications Research Centre. The service has been on trial in air ambulance work.

A system for seeking sites

SOFTWARE from Property Intelligence, of London, brings together property data, like price levels, rents and rates, with demographic and socio-economic information on more than 500 towns.

The programs are aimed at the people who decide the location of new retail outlets and other premises in towns.

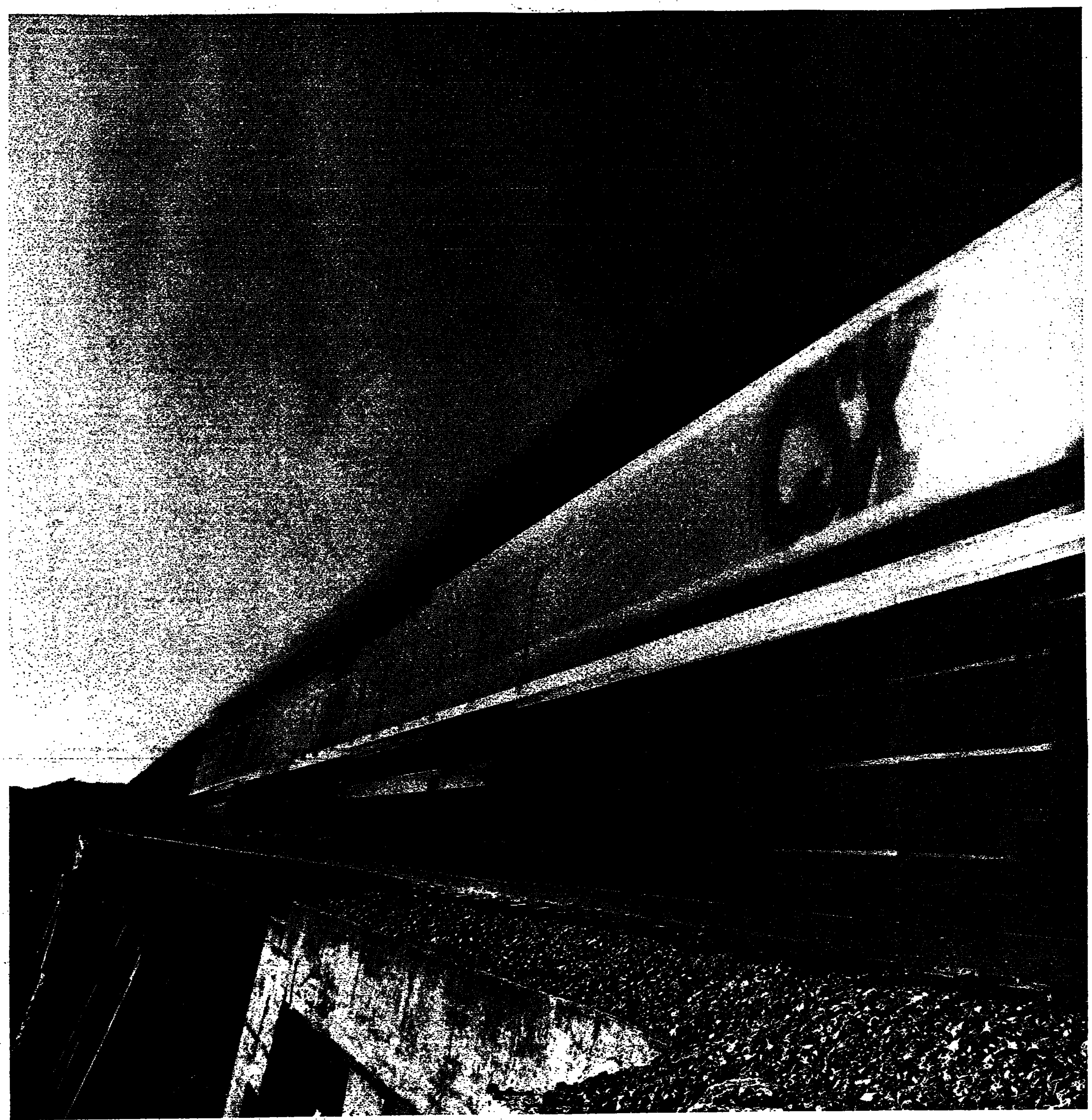
Data and programs, which can be loaded on to any personal computer with a hard disc, are organised to allow quantitative analyses to be obtained, so that towns can be selected by preferred criteria.

Recognising fingerprints

AN ELECTRONIC fingerprint recognition system, using the UK-developed transputer "chip", is on trial at the Home Office. Several chips form an array to process the large amount of information generated.

The system has been developed by AFTeC, a consortium formed by Logica and CAP, UK computer systems houses. The array is tied into a Digital Equipment VAX screen and keyboard, image capture devices and an optical disc system for storage.

CONTACTS: British Telecom: London, 356 5365. Technical Insights: US, (201) 568 4744. Degussa: Germany, 69 218 2860. Teleglobe: Canada, (514) 289 7490. Property Intelligence: London, 839 7684. Logica: London, 637 9111.



FINANCIAL TIMES SURVEY

New jobs are being created in hundreds whereas old ones were lost in thousands, observes **David Spark**, the author of this survey. Yet there are signs that a county of diverse regions may be on the mend as many companies relocate to the middle of England.

Renewing the foundations

The village green at Monyash, in the Peak District

Michael Arron

Derbyshire

CONTENTS

DERBYSHIRE HAS had its historic moments: the arrival and retreat of Bonnie Prince Charlie; the courage of the villagers who stopped the plague spreading from Eyam; the industrial revolution heralded by Arkwright's spinning frame; the struggle to establish the Pennine Way.

It has the grandeur of the Peak and, to the east, splendid panoramas of village-crowned foothills. It has its high-profile MPs – Mr Tony Benn, Mrs Edwina Currie and the "Beast of Bolsover" Mr Dennis Skinner – and its Danish pace bowler, Mr Ole Mortensen, unfortunately not available for the England attack.

But, in the main, it is a low-profile county which has not troubled the headline-writers much since the long-forgotten Clay Cross rent rebellion. Even when something exciting happened, like the run on the local building society when Rolls-Royce hit trouble in 1971, the rest of us hardly got to hear about it.

The Derby ram may have been 10 yards high, according to the song, but Derbyshire's 900,000-odd people do not flaunt their county identity. This is scarcely surprising, given the manner in which the Peak divides them. To the north-west, Glossop and Chapel-en-le-Frith are attached to Manchester. To the north-east, Chesterfield looks to Sheffield. Derby is the centre for mid and south Derbyshire, many of whose people leave the county to shop in Nottingham or Burton-on-Trent.

Derby, a slightly faded, Georgian, council house-ringed city with an exquisitely Georgian cathedral set in a traffic system reminiscent of the Chatsworth maze, was long protected from ill winds by Rolls-Royce, the railway workshops and Courtaulds.

Now, shaken by job losses at all three, it is seeking to brush itself up. It has even launched a Brighter Derby tidiness campaign. Meanwhile, representatives from northern Derbyshire have been to London to complain about being denied industry-attracting help, especially from Europe, vouchsafed to neighbouring South Yorkshire and Manchester.

Derby and Derbyshire want to put themselves, their problems and their achievements on the national map. "We in Derby are rather fed up of being told we are a city just up the road from Nottingham," says Mr Mike Kaye, assistant director of planning.

Mr Harry Cowley, the county planning officer, points out that unemployment has fallen less in Derbyshire than in Britain as a whole. He tells a sad tale of redundancies.

This does not make Derbyshire an unemployment horror story. The mid-county area around Belper, for instance, has such varied industry, old and new, *that it has ridden out* the loss of English Sewing Cotton to Scotland. It is handily served not just by the M1 but by the new A38.

Farther north, the retreat of coal mining has left Chesterfield and Bolsover with unemployment around 13 per cent. It is 20 per cent in the centre of Derby: Asians and West Indians went there to work in the foundries and were stranded when some closed.

Compared to the UK as a whole, much more of Derbyshire's workforce is in manufacturing. Much less is in the service industries that have created more work. Nottingham is the East Midlands capital, with all the service jobs that that means. The head offices for Derbyshire factories are often elsewhere.

Derby does have a few head offices, nevertheless. Mr Nigel Rudd has established there his acquisitive Williams Holdings, owner of Crown Paints and of Berger. Then there is Thomas Robinson, run by his brother, Graham; and there is the *national developer and house*-builder, Raine Industries. Above all, there is British Rail, employing more than 2,000 people at its Derby engineering and research centre.

Derbyshire draws benefit from being in the middle of England. Quester, a London company which manages venture capital, has set up its regional office at Ashbourne.

Mr David Wallis, of Vistec, a Belper computer systems company, says: "Many of our clients have branches scattered across the country. Geographically, we have access to all the main communications lines."

Since 1984, jobs at Vistec have doubled to 200. Mr Wallis adds that Derbyshire colleges are an excellent source of talent.

Mr Richard Massey, chief executive of the Derbyshire Enterprise Board, says that the stirring in the national economy has spread up the M1 to Derbyshire. "We are getting a large number of businesses wanting to locate or expand *here.*"

Some places could be short of workers, while others have long-term unemployed. Long Eaton, between Derby and Nottingham, is popular but "it's no good building in Long Eaton and expecting people to travel there from Derby".

What strikes an outsider is that, while new jobs are created in hundreds, old jobs at Rolls-Royce or in the coal mines were lost in thousands. Beaverco's pioneering factory at Alfreton, *making flame-re*sistant upholstery foam, employs 120.

But the fall in the number of young people seeking work will reduce the total number of jobs required.

West Derbyshire has lower unemployment than the more industrial east, but faces similar problems. Jobs are gradually disappearing from its farms and quarries. The small sheep farms of old do not provide a livelihood unless accompanied by a milk quota.

But factory-work in the area dates back to Arkwright, and *the green and healthy back*ground is popular with people who want to run high-tech firms. These, if small, can be housed in existing buildings. But what happens when they get bigger?

Mr John Anfield, chief planning officer for the Peak Park which has a population of 38,000, says: "It has begun to hit us only in the last year or two. We have been very keen to develop industrial estates to help continued employment. *At what point* do we say 'Thank you very much, but national parks are fragile areas'? A settlement can get too dependent on one employer."

High Peak Plastics, needing more space at Tideswell, east of Buxton, had to leave for Hyde, near Manchester.

A climber, Mr Mark Vallance, began making for fellow climbers an anchoring device called a "friend", invented by an American, Mr Ray Jardine. A member of the park planning board, he has switched his manufacturing to Wales *while retaining his base* employing 40 people at Eyam.

At the village of Monyash, the planning board is trying another Europe-backed approach called integrated rural development. Various agencies offer money to rural areas, for conflicting purposes: to re-seed meadows or preserve their wild flowers; to preserve stone walls or replace them with fences. Why not put the money in one fund and ask the village how to spend it? One *result is more jobs for dry* stone-wallers.

Finding jobs remains difficult for the rural unemployed. They may not be cut out for high-tech. They may lack transport to travel into towns. It is usually easier to travel from town to country than vice versa.

Glossop and north-west Derbyshire face a different set of *problems*. The *textile* industry has largely moved out, and the Manchester and Stockport commuters have moved in. They do not shop much locally. Meanwhile, what returns to earth from the molybdenum smelter's 350ft chimney is the subject of a public inquiry.

Mr Alf Smith, of Glossop Traders Association, sees tourism as the key to trade and jobs. The annual Victorian weekend attracts 80,000 people. "We would be pleased to have day-trippers," says Mr Smith. "If a coach comes in, it is money to us. We have fabulous scenery. If you get people coming in, you will get the hotels."

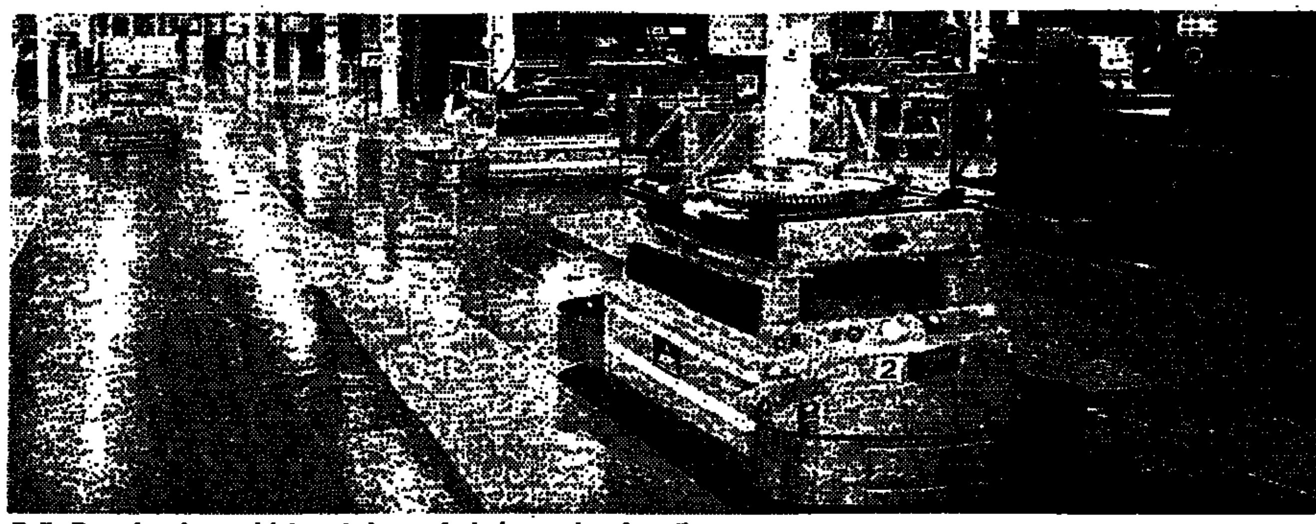
The general impression that Derbyshire creates is of a county on the mend. "We have some decent businesses," says Mr Martin Taylor, a director of Courtaulds, referring to his company's Derbyshire clothing factories. "What is good about Derbyshire is that it has reasonably small communities where people have industrial skills."

There are three worries. One is exports: Mrs Glenys Goucher, of the chamber of commerce at Chesterfield, which handles the documents, says less exporting is going on in north Derbyshire. Another is investment in manufacturing: there seems to be a great deal, but the Enterprise Board says it is 23 per cent below the national average.

The third is knitwear, an important industry close to the M1. With the cheaper dollar and the dearer pound, the competition is hotting up, especially from China and from Turkey which has duty-free access to the European Community. Even the Germans and Italians are manufacturing in Turkey, says Mr John Harrison, of the Knitting Industries' Federation.

British firms, he adds, have *invested in training and com*puter-aided design, with the help of colleges like Derby Lonsdale. But "we are playing on a very uneven pitch. Not only are people moving the goalposts. They are even moving the stadium."

Industry continues to pursue new markets with new products



Rolls-Royce's advanced integrated manufacturing system in action

Better turnover, fewer jobs

IF YOU want to see the effect Mrs Thatcher has had on British manufacturers, Derbyshire is a good place to start. Two years ago, she herself opened one of the symbols of change: the advanced integrated manufacturing system (AIMS), at Rolls-Royce.

Unmanned trucks on invisible rails carry aero engine discs to computer-controlled machines, thus cutting to six weeks a manufacturing and assembly process which used to take six months.

Derbyshire boasts many well-known brand names, among them Sun-Pat, Swarfega, Charnos, Stilton, Royal Crown Derby, and a bewildering range of products: custard powder, liquid soap, flame retardants, valves, children's wear, boilers, and even suits of armour.

Companies differing widely in size and industry have shared a common experience. Changes in markets, accentuated by the over-valued pound of Mrs Thatcher's first years, hit sales and jobs. It was no longer possible to earn a living by making the same things in the same way for the same customers.

Companies needed new products for new markets. They needed investment to raise both quality and productivity and to match international competitors. Staff needed new motivation, while some dropped out of work altogether.

Turnover at some companies has risen well. For example, it was up from £104m to £146m last year at Derby-based Courtaulds Acetate, which transforms wood pulp and cotton into yarns, labels and cigarette filter material. But employment is not back to former levels.

NEI International Combustion, of Derby, a pioneer of low-pollution boilers, has won a contract to supply two for Fawley B power station, the first major coal-fired boiler order placed by the CEGB in a decade.

Staveley Chemicals, producing caustic soda and sulphuric acid near Chesterfield, employs 480 people, compared with 900 in 1982. But its old association with coal mines and coal-derived benzine has led on not just to herbicides but to dithranol, a drug for treating ringworm.

After two years' work, Staveley achieved a 99 per cent purity, which has won it two thirds of the world market.

Chesterfield's biggest private employer, Robinson, supplied willow pillboxes for 19th century chemists, and bandages for a Derbyshire heroine, Florence Nightingale. It went on to make cotton wool, sticking plasters and disposable nappies on the one hand, and boxes for gifts and porridge oats on the other. The recession cut its employment from more than 2,000 to the present 1,800.

Mr Philip Robinson, the chief executive, says: "We survived the recession but we needed to get ready for the 21st century – we have multi-national overseas competitors.

"We changed the image to let people inside the company know we were going to be a different company. We made it a policy to get things right first time and every time. Now we are moving into new markets for plastic packaging for cosmetics."

At Whaley Bridge, in north-west Derbyshire, Mr Robinson and a partner have invested £5m in a bleaching factory, to open a new market for non-woven fabric in medical products.

The High Peak's biggest industrial business is Ferodo, set up at Chapel-en-le-Frith by a Manchester millionaire's son who went there for his health, saw farm wagons careering down the hills and decided to produce brake linings.

With fewer cars made in Britain in the past decade, employment at Ferodo has dropped from 3,500 in 1978 to 2,350 now, but has been bolstered by the company's winning orders for its disc pads for Mercedes and Audi cars.

Mr Don Thornton, publicity manager, says: "We had to set up companies in Germany, so that we could have Germans selling to Germans." Robot production has improved quality. "In the past, the quality was not good enough for Germany – now it is better," he says.

British Rail Engineering Ltd, which builds, repairs and refurbishes rail vehicles, has its headquarters and two of its four remaining workshops in Derby. It has seen its employees there diminish to 4,700, from 8,000 in 1970.

Britain runs far fewer rail vehicles these days, and they need less maintenance. Moreover, BREL is no longer given British Rail's work automatically but has to tender keenly, and this cuts into its profits.

Overseas, it must compete with Far East makers, and be content to sell prototypes for local copying. It stands no chance in France or West Germany, at least until 1992.

But, diversifying into non-rail work, BREL is overhauling Land Rover engines for the Ministry of Defence, and building 284 bathrooms for the Langham Hilton in London. It has divided its business into sections, each responsible for showing a profit.

Six hundred of 1,400 redundancies announced last September have not yet taken place; British Rail lodged extra orders because BREL is now up for sale. An increase in rail passengers, asking for more frequent services in new coaches, also cheers BREL.

Rolls-Royce, in Derby, now offering a much wider range of civil aero engines, won a key order when American Airlines chose RB-211 535E4s for up to 100 Boeing 757 airliners. Rolls-Royce is well-established in the 747 programme, but the 757 is the first Boeing programme that Rolls-Royce has been in from the start.

With its Tay series, Rolls-Royce hopes to re-engine earlier noisy airliners, including Boeings. And, by devising a honeycomb construction which allows fan blades to be wider and more stable, it has made its engines simpler and more efficient. At Farnborough, it unveiled for the Airbus 330 the biggest aero engine in the world.

Mr Frank Turner, director for civil engines, went with trade union representatives to see American production methods. One result was the division of Rolls-Royce, Derby, into centres of excellence, each doing a particular job.

"They know that, to survive, they have to be internationally competitive," Mr Turner says. "In productivity, we have caught up, and more. We have successfully competed to manufacture parts of competitors' engines. The Derby workforce is superb, in skill and in commitment to the enterprise."

He is happy that Rolls-Royce is scattered in the city on 18 different sites. "A manufacturing unit has to have identity. If it is part of a big thing, it loses identity. We have a much slimmer, more accountable, organisation. Where 30 people used to do a job, three do it now, not just on the shopfloor but in the office, too.

"Our total attention to customer support and to reliability enabled us to win the American Airlines order. When an airline is building a reputation on quality of service, they need an engine that starts every time and they want to know how long it will last."

However, the order does not mean more jobs. The current workforce, just under 13,000, against 11,700 in 1984 and 17,400 in 1980, is based on supplying at least half the engines for Boeing 757s. To date, Rolls-Royce has 80 per cent of the order book.

Mr Turner adds: "There is a very big market for very large, highly reliable engines for twin-engined aircraft for the next 20 or 30 years.

"Our prices are fixed by the international market place. We would like the dollar to be stronger, but we could operate at a more adverse exchange rate than we have today.

"We are an international company, but we do not underestimate the impact of international decisions on the local area, on people with a living to earn."

PROFILE: PEKTRON

AT THE end of the working day, Pektron, on the northern fringe of Derby, resembles a college. Crowds of young women, and some young men, flood out of the redbrick buildings.

Mr George Morgan *(right)* the managing director, began back in 1965 to make instruments for power stations, with two apprentices in a room over a foundry. Pektron has since applied to pubs, cars and household appliances the power of modern electronics to answer problems without taking up much space. It now employs 350 people (including Mr Morgan's three sons), and its annual turnover approaches £9m. In 10 years' time, it expects to employ 1,400.

Mr Morgan learned his electronics with the RAF and Ericsson Telephones. When he started Pektron, "I had all the normal handicaps: a mortgage, a wife and children. I borrowed £100 from the Royal Bank of Scotland. I had no orders, but I had a strong conviction I could succeed."

What he had spotted was that power stations needed digital instruments to replace analogue. Next he turned to breweries.

Then a breakthrough came with an American requirement that cars should not be drivable if the driver forgot to belt up. Pektron devised the necessary gadget for British Leyland, and has since gone on to central-locking and to a windscreen-wiper control that removes the wiper from the screen after use. Its burglar-alarm is fitted to the Rover 800.

Pektron is now getting its controls accepted for new cookers, washing machines and central heating. It offers to devise electronic solutions for customers' problems.

Quality is essential. Everything must work both in the cold of Alaska and the heat of Death Valley. "If you let your customers down, you can destroy the sales effort," says Mr Morgan. "The time when you made things and let the customer find the faults is long gone."

He hopes 1992 will take Pektron into France and Germany.

In a new building just opened by Mr Cecil Parkinson, Pektron is assembling components with the latest surface mount machines. Mr Morgan fears the county council will sell to a supermarket the land he needs for his next building. If so, he will probably build in Portugal.

Coal: the last pits are struggling to survive

Production rises as costs are controlled

OPERATING COAL mines in 1988 is a roller-coaster experience. "One week a pit is on a high," said a Derbyshire coal industry spokesman. "Another it can be right down. The whole area at the moment is on a high."

Derbyshire's 100-year-old collieries, mainly just east of Chesterfield, are engaged in a gritty and successful campaign to stay alive, despite lifting floors, distorting roadways and other geological problems.

Being close to British Coal's technical department, which is on Derbyshire's southern border, they get some of the latest mining machinery. Conveyor belts these days are run by computers, from control rooms full of buttons, switches and visual displays.

These few remaining bastions of Derbyshire coal mining are the backbone of British Coal's Central Area which, so far this financial year, is 600,000 tonnes up on the last one. Its coal has been costing £1.38 per gigajoule of energy, which is less than that in any other area.

To keep its markets, British Coal looks to its collieries to achieve £1.50 per gigajoule or better. Bolsover, struggling last year, is Derbyshire's present frontrunner, averaging 5.5 tonnes per man shift at £1.13 a gigajoule. Markham and the combined Donisthorpe-Rawdon mine, the last in South Derbyshire, are also well inside £1.50. Shirebrook, where one face had to be abandoned and reheaded, is on £1.72, but has just achieved its best ever week with 5.20 tonnes per man shift.

Warsop, linked with the Derbyshire pits but in fact just across the border in Nottinghamshire, also staged a recovery, while still causing the area director, Mr Tony Deakin, some concern.

Mr Deakin says that the area appears fundamentally healthy. "We must strive to continue cutting costs and increasing output. The pressure is on British Coal to maintain its prices at competitive rates. Sales are increasing, and we are actually lifting from stock."

However, this is a much smaller Derbyshire coal industry than that of 20 years ago. Coal mining east of the Pennines has moved farther east as the shallower seams, outcropping in the Pennine foothills, have been worked out.

In 1967-8, North and South Derbyshire employed more than 26,000 men, producing 15m tons. There are now only 6,500 men working in six remaining pits, including Warsop. One of the six, Renishaw Park, where 142 men work, will soon run out of coal.

Derbyshire's 1987-8 deep-mined output was just over 6m tonnes (7½ per cent of the national total). It was thus 40 per cent of the 1967-8 Derbyshire figure, while manpower was only 25 per cent. This indicates how output per man has risen.

As well as the mines, Derbyshire has three opencast sites, which produce more than 750,000 tonnes a year. One is near Chesterfield, the others farther south near Ripley. One Ripley site is getting rid of a spoilheap from a former mine.

The reduction in deep mining hit those Chesterfield firms that served the pits. Markhams, for instance, was founded by Charles Markham as the engineering works for his collieries. Jobs there plunged from 800 in 1980 to fewer than under 300 in 1985. But it has won business in hydro-electric turbines, mining equipment for Zambia and tunnelling machines for the Channel Tunnel, and now employs 325. Metry Engineering, which employs 60 people, now helps make cement mixers.

In West Derbyshire, the extractive industry is quarrying, now largely carried out by national companies – ICI, Steetley, Tarmac – in place of the family firms of old. It, too, has lost some jobs, but its continuing local importance can be gauged from the fact that the Castleton cement works, where gritstone and limestone meet, employs 500 people. It has rail access, which reduces the number of heavy lorries pounding the roads of the Peak.

Except at Buxton and Wirksworth, the quarrying takes place in a national park. The Peak Park Planning Board has to reconcile the interests of the quarryworkers, and the national need for limestone, with the park's appearance in which quarries can leave unsightly scars.

ICI won permission a few years ago to extend a Buxton quarry into the park, but the minister has upheld the planning board's refusal of two applications for roadstone, one at Eldon Hill quarry which has been called the park's biggest eyesore. The board's view is that, if the park's high-grade limestone is to be quarried, it should be for its chemical properties: other stone will do for roads.

The Peak Park – in particular, the spoil left by leadminers – is Britain's main source of fluorspar, used as a flux in the steel industry and as a source of fluorine for non-stick pans. The ore, like other ores, is separated from the dirt by washing, which leaves behind unpleasant ponds of tailings.

Laporte Industries applied to mine fluorspar at Great Hucklow, near the plague village of Eyam. It also proposed to put the tailings back in the mine. This roused fierce controversy between those who wanted the mine jobs and those who did not want the mine lorries. In the end, the planning board approved the proposal on strict conditions.

IN FEBRUARY, the Derby and Derbyshire Chamber of Commerce called a conference to discuss how to attract investment, create jobs and improve the county's image. It formed a city action group, which has put forward the idea of a technology park. Derby is also keen for its college of higher education to become a polytechnic.

This is not the first drive to regenerate Derbyshire. Ten years ago the Civic Trust, with money from Sainsburys, launched a project – since continued by the local councils – to rescue the quarry town of Wirksworth.

Wirksworth is just over the ridge that overlooks the Derwent valley near Matlock. A quarry within the town made it noisy and dusty. By the 1970s, three-quarters of the population worked outside Wirksworth and half its shops were closed.

The project has helped to find specialist tenants for the shops: silversmith, cabinet-maker, picture-framer, fashions. It is, says the project leader Mrs Lesley Law, a foot-weary business. There are grants to repair town-centre buildings. The townspeople now include many employees of the county council at Matlock.

Wirksworth lost two Janet Reger factories but has gained a lingerie firm and a children's

Regeneration: councils and agencies are acting together

City plan-zone is a pioneer

wear company which, says Mrs Law, has orders for years.

Much of Derbyshire's regeneration has taken place inside industrial firms. To help cope with market changes, the Deb (for debutante) Group, which makes the dirt-remover Swarfega (originally intended to stop people snagging silk stockings with rough hands), brought in a new managing director, Mr Bob Wrigley, four years ago.

Industrial workers were getting their hands dirty in new ways, with hard-to-shift resins, for example. Customers needed not just dirt removers but advice. Offices and hotels were using more liquid soap, sold increasingly in cartridges rather than in bulk. "Deb had a serious lack of knowledge of the market," says Mr Wrigley. "We have tried to move from being product-led to being market-led."

The Deb factory is like a large automated kitchen, ingredients being stored in 50ft towers sunk in the ground to keep down the roofline. Now that shipbuilding has moved to the Far East, Deb is seeking to sell to shipbuilders there. Half its business is abroad.

North Derbyshire moved swiftly to counter the decline of coal mining and the loss of orders for smaller engineering firms. Chesterfield took over the offices at the old Staveley ironworks and turned them into workshops, which now make trophies, bedding, even suits of armour, and repair American cars.

In 1983 it looked as if nine out of 10 school-leavers would not find jobs. Within six weeks, the chamber of commerce at Chesterfield took on 450 youngsters under the Youth Training Scheme. It is now training nearly 700, plus 850 adults. Four in five of the youngsters find jobs afterwards.

Mrs Glenys Goucher, the chamber's chief executive, says that business buoyancy locally has come not from the larger firms but from small new ones like A.B.Hoses. With council help, this was started by Mr Phil Reaney so that his father, for whom he worked, would not have to make "any of the lads redundant". This year Mr Reaney expects to exceed £500,000 turnover, fitting hoses to machinery, including the local Markhams' Channel Tunnel borers.

Mr Mike Horner, of the North Derbyshire Enterprise Agency, said that small firms which it had advised had created 400 jobs in the past year, three-quarters of them in retail and services.

The corresponding agency in Derby is the Derby and Derbyshire Business Venture, now offering £1m in job-creating, start-up and other grants for city businesses. This was put up by British Rail Engineering in view of its loss of jobs.

The county council provided for Derby a centre for small businesses. A success story there is Derby City Circuits, set up by Mr Tim Rudge and Mr David Gray, both skilled in electronic assembly. They calculated that, if firms were reducing staff, they would need sub-contractors – and there scarcely seemed to be any north of Reading. It was not as simple as that, but gradually they got their quality recognised and they now employ 40 people.

The biggest new employment centre round Derby is the East Midlands Airport, just across the Leicestershire border. It is the home base of British Midland Airways and the fourth largest cargo airport in the country. Nearly 3,000 people work there, at jobs which include fitting the seats into Jetstream airliners.

One of Derby's tasks is to convert old, abandoned industrial space into new. Under the Government's inner-city programme, it is receiving a £3.28m grant towards a £12½m scheme for turning the former Ley's foundry site into an industrial park. This is Britain's first "simplified planning zone".

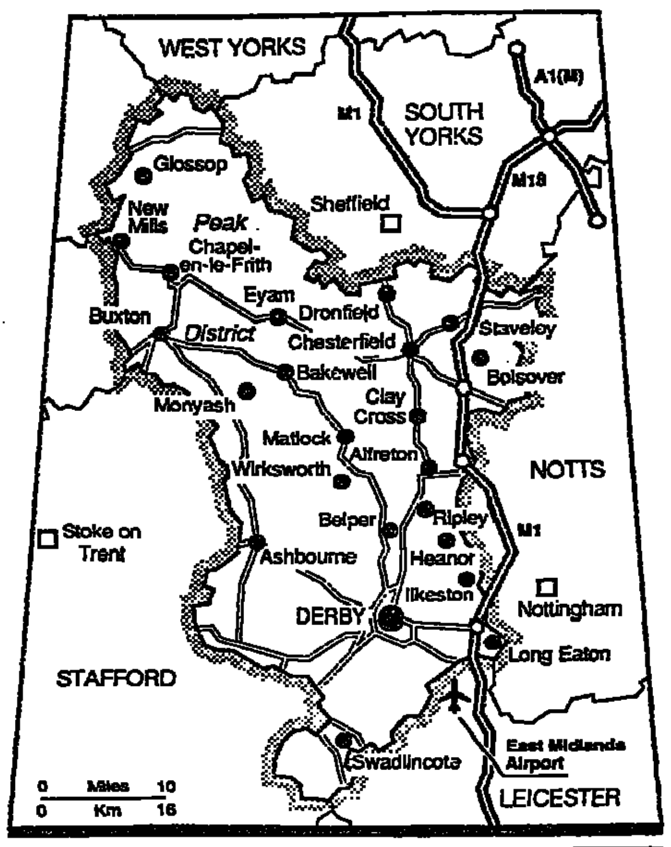
Mr Mike Kaye, assistant director of planning, comments: "The city council has done a deal with the Government. It has adopted what other authorities were resisting. Because we have co-operated, we will get development fast."

Derby has also invited English Estates to convert an old warehouse into 50 workspaces, up to 5,000 sq ft in size. Then there are 100 acres to develop at Chaddesdon Sidings, which might include the technology park. There is strong competition from retailers for space.

Derby is pressing ahead with a new shopping centre (and so is Chesterfield). Mr Kaye says: "I enjoy working in Derby, because I think there are a lot of opportunities. We have backing from the public and the council members, and we all work together."

To house the current International Business Exhibition (250 stands this year), the chamber of commerce has had to bring over a temporary hall from Holland. It has invited investors and developers, and also London representatives of overseas business. "If you want to export," says Mr Andrew Clark, the chief executive, "there is nothing like getting hold of someone from the country you are exporting to."

Mr Clark, who has a six-year-old daughter, is particularly thrilled about the prospects of a Derby compact, guaranteeing a job to school-leavers. "That guarantee has not been available since 1966 in most parts of the country. If you can do something to seize an opportunity, you have to go hell for leather."



DERBYSHIRE ENTERPRISE BOARD

The 'plc' approach

IN ITS biggest deal so far, Derbyshire Enterprise Board has joined with the council's pension fund to put up £1m to re-finance a Heanor company which operates at the frontier of materials science and engineering.

Without this, the firm, which employs about 150 people, could have had to sell out to a bigger company, and might have left the county.

The enterprise board, set up by the county council last year to promote Derbyshire industry, has now invested most of its first £1m in five companies. It has three more deals involving £500,000 nearly completed. The next step, says the chief executive, Mr Richard Massey, is to make investments jointly with City institutions.

The Heanor firm is the Advanced Composites Group. It was started 18 years ago by a chemist, Mr Roger Sloman, in Rochdale, but soon moved to Derby, and opened the Heanor factory to make skirts for Formula One cars. Then the French banned skirts and the resulting row meant that no cars were being made. However, ACG survived. It made the chassis for the Jaguar sports car which won this year's Le Mans. It has gone on into parts for aircraft and artificial limbs, missile fins, spinnaker poles. But its most advanced work is on the tools for making these composite fibre components.

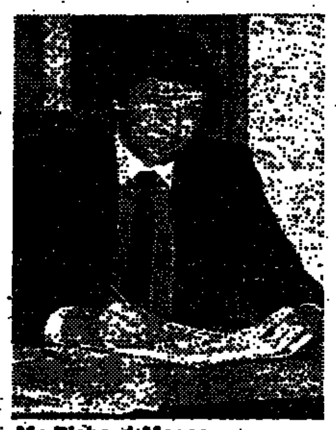
"We know more than anyone about the technology required to make accurate parts in composites," says Mr Sloman. "We have not really started exploiting the technology to the full."

The ACG investment is gratifying for Mr Richard Massey and his enterprise board staff, located in a converted house in Chesterfield. He had a spell as a county councillor and did some of the research which led the council leader, Coun David Bookbinder, to press for the board to be set up.

Before he joined the board, Mr Massey had been in banking for 20 years, having taking it up originally with Barclays as a temporary job. But it had fitted well with his interests in rugby and athletics, and so he stayed on. "You should try to do what you get some enjoyment out of," he says.

The board made an early decision to offer investments in the £50,000-£350,000 range, unpopular with other institutions, because "it is too expensive to look at the proposals, you decline." One of the first was in Servicecall, set up by a wheelchair-bound engineer, Mr David Walker.

Servicecall provides receivers and hand-held infra-red transmitters (all made in Chesterfield) which enable disabled people to summon attention at petrol stations, banks, chemists' and building societies.



Mr Richard Massey

In Derby, the county council is re-opening the former Derwent School as a business development centre. The board will offer advice there to business people, and there will be space and tools to test ideas. There will be officers to help co-operatives and members of ethnic minorities and, with the support of the Prince of Wales's youth business trust, young people. Mr Massey is keen on bringing advice under one roof, so that inquirers are not referred from one office to another.

"We won't change the world overnight," he says. Derbyshire does not want to attract firms at the expense of employment elsewhere. "There is not a lot of point in attracting people across borders only to see them disappear again. It is a matter of how to get people into work who are out of work, and how to get companies into a better economic position. We want to make sure no chances of employment are lost and all the resources industry needs are available."

One approach is to collect information on factory sites. "We are also trying to get together a database of what everybody does and makes. Let's look at ourselves as Derbyshire plc. Let's buy what we can within the county."

"We are trying to get the public and private sectors to work together," says Mr Massey. "A lot is happening. I think there's a new awareness."

PROFILE: THORNTONS

Sweet centre enriched

"THESE," SAID David Ward, "are butter truffle coated in sugar. I'm not safe to be left near them."

He is customer service manager for one of Derbyshire's growth businesses, which has spread from its northern and midland strongholds into high streets throughout the land.

Thorntons, the chocolate and toffee manufacturer, was founded by Joseph William Thornton in Sheffield in 1911, and now operates, under his grandsons, from Belper and from the £12m Thornton Park, at Alfreton, which it says is the most advanced, purpose-built confectionery plant in Europe.

The Queen opened it in 1985, and it has now been extended so that the whole process of making chocolates, by several different methods, takes place there, monitored by computer.

You have to wear a cap and white coat and put away your watch, so that no hairs, fibres or metal objects find their way into the mixture. Staples are banned from the paperwork.

"In Australia," says Mr Ward, "we have a man whose ginger is grown specially for us. In France a man grows walnuts for us. Everything is harvested to our specifications."

Dies shape the individual centres, which a conveyor then carries over a pump to be coated with chocolate underneath. Next, a waterfall of chocolate coats them on top. The surplus is scraped off, for the taste of chocolate must not overwhelm the taste of the centre. On into a cooling tunnel, and then into a waterfall of white chocolate, which is frisked up by two rows of girls, to give a lattice-work appearance. A final pass through a metal detector, and the chocolates are ready.

Elsewhere, a sheet of caramel is emerging from a rolling mill, and chocolate is being spun in moulds to make spherical shells into which soft fillings can be injected. This spinning technique is also used for Easter eggs.

Despite all the high-tech, women still make chocolates by hand, too: first a little chocolate in the bottom of the fluted paper case, then some raisins soaked in Grand Marnier (of which Thorntons uses 5,200 litres a year, not to mention 8,500 of rum), then a whorl of chocolate piped on the top like icing.

Mr Ward points out that, because Thorntons sells mainly through its own shops, it can make sure its customers buy chocolates fresh. It now has 200 shops, and also supplies around 100 gift or greeting card shops, including those of its Scottish subsidiary, Mary Morrison. It also supplies Marks and Spencer and has just moved into Europe, acquiring the Belgian firm of Gartner which sells in France and Germany.

Since 1983, Thorntons' turnover has almost doubled, a forecast of £51.5m being made for the year to last May when 17m Thornton shares were offered on the stock market.

Two years ago it opened its first Northern Ireland shop, in Belfast. "I was there on opening day," recalls Mr Ward, "and it was unbelievable. It became the highest volume shop within Thorntons from day one. The Scots and the Irish eat more sugar confectionery per head than anyone else in Europe."

Property: out of the shadow of Nottingham

Signs of better times

THE CITY of Derby is adjusting to a period of new building development in all its markets.

The council is at the forefront of the new prosperity, with the refurbishment of the Victorian market building. Although small in terms of expenditure, the project is a sign of the improvement in the city's fortunes. The scheme, on the edge of Derby's shopping centre, is due for completion in 1989 by Tarmac Refurb.

When the traders move back, they will find the hall restored to its original Victorian atmosphere, at a cost to the council of £3.5m.

Derby's property market has been hectic over the past couple of years. During this time, work started on the city's first two speculative office schemes since 1973; there was what is claimed to be the country's biggest letting; the first Simplified Planning Zone; and the biggest city grant yet awarded.

Traditionally, Derby has had a small office market. Firms seeking a regional office have gone to Nottingham. This is now changing. Hallam Brackett's Bryan Huckerby says: "Derby's office market has been in the doldrums since the mid-1970s when a lot of the newly-built speculative space was not taken up. But in the last 18 months peak office rents have risen from £2 and £3 per sq ft to £5 per sq ft."

Meeting the new demand is F.E.Wood Developments' St James Court, a 60,000 sq ft, three-storey Georgian-style project. The £4.5m scheme has units of from 1,400 sq ft to 10,000 sq ft, and includes a 5,000 sq ft listed Georgian building. Well over half the space is under agreement, with one of the four clearing banks taking the Georgian building. Joint agents are Paul Orridge & Partners and Hallam Brackett.

In Queen Street, Nottingham-based Arkwright Developments are also in the middle of a new-build scheme, the 21,000 sq ft St Michael's Court. The project can be divided into units from 1,000 sq ft, and agents are Frank Innes Black Horse Commercial and Hallam Brackett.

Despite this activity, rents are still too low to attract the institutional market, so the above two schemes are for sale. Asking price on St Michael's Court is around £65 per sq ft.

The same is true of the industrial market, even with the boost of the SPZ and and the largest city grant of £3.2m. Consequently the units in J.F.Miller's 300,000 sq ft industrial park will be for sale freehold.

The SPZ system, though, has given the Sir Francis Ley Industrial Park designation for business, industrial storage and distribution developments over the next decade. J.F.Miller plan a £12m scheme on the site of the Leys Malleable Castings Factory.

The final piece in the development jigsaw was the city grant, which overcame the cost problems associated with removing the deep foundations of the foundry. According to letting agents Raybould & Sons, seven of the 84 units have already been reserved.

Rents are still too low to attract the institutional market

However, there *is* demand for rented space, as was illustrated by what was claimed to be the largest single letting of the last year. The claim comes from King & Co, who let Evans of Leeds' 517,000 sq ft warehouse and distribution development to Littlewoods Home Shopping. Formerly owned by Raleigh, the three buildings — of 400,000, 100,000 and 17,000 sq ft — will now be used for distribution.

The biggest boost to industrial development could come from the east. Derby has plenty of land available for industrial development, while Nottingham is facing "retail blight", by which major landowners are trying to maximise their assets by teaming up with retail developers.

Mr Russell Rigby, of local agents Frank Innes, said: "It may be that a lot of people have gone to Nottingham and found it fairly well saturated. But in access terms, there's not much between Derby and Nottingham and there are now more people looking at Derby than for some time. Some of them have already been active in the East Midlands market, especially in Nottingham, but the land is here now."

The prime retail pitch in Derby is in St Peter Street and in the Eagle Centre, whose lease is owned by Coal Industry Nominees. Top rents in the 1975 scheme are under £40 Zone A, but the last reviews were in 1985. The complex totals 325,000 sq ft in 42 units.

A guide to the Eagle Centre's true rental value can be found in the redevelopment of the 66,000 sq ft Woolworth store within it. Woolworth Properties and Shearwater are currently dividing it into nine units, which will have a completed investment value of about £6.5m. Rents on the prelets, through Clive Lewis & Partners, are around between £60 and £65 Zone A.

A new team, of Bryant Properties and the Co-op, looks set to provide some competition in the city on the shopping front. The pair have teamed up in a £70m bid to develop 250,000 sq ft of covered shopping on two levels. The scheme has the backing of the council, and also outline planning consent.

Bryant and the Co-op are also working on a £10m plan to redevelop and relocate the bus station and develop the Cock Pitt island site near the city centre. The plan includes a 1,000-space multi-storey car park and upper-floor cinema.

Out-of-town retailing activity includes St Modwen selling the freehold of its 154,000 sq ft Meteor Centre to the Land Securities subsidiary, Ravenside Investments, for over £8m. The centre, built on 16 acres of a 26-acre site bought by St Modwen two years ago, has achieved rents of £5 per sq ft from tenants that include MFI, W.H.Smith Do-It-All and Harris Queensway. St Modwen has kept five acres back, and AMC is building a 10-screen cinema on the remaining land.

Widespread out-of-town retail development has earned Derby council some criticism. However, its chief planner, Mr Ian Turner, says the council approached the problem sensibly, commissioning a report from Hillier Parker.

He also says that Derby is just catching up with the South East. "We are just getting the boom going in order to increase prosperity. We have specialist comparison shopping in the city centre and non-food bulky goods on retail warehouse parks."

John Ingham and **Janice McKenzie**
Chartered Surveyor Weekly

The Opera House, at Buxton — Michael Arron

Tourism is said to have earned £123m last year

Long-stayers sought

IZAAK WALTON fished Derbyshire's trout streams. Charlotte Bronte made it the setting for Jane Eyre, while her contemporaries visited the Buxton and Matlock spas.

Last year, according to the East Midlands Tourist Board, tourists and visitors spent at least £123m in Derbyshire, supporting the equivalent of 9,000 full-time jobs.

No wonder Buxton is staging a revival. Chesterfield is building a Holiday Inn, and Derby is no longer leaving tourism to the Peak National Park.

The county's roadsides blossom with signs inviting you to Chatsworth or Gulliver's Kingdom or the American Adventure (a touch of the Wild West on an old opencast coal site); or, if you fancy a vertiginous cable-car trip across Matlock gorge, the Heights of Abraham.

Derbyshire, with its chapel tradition, likes a biblical reference. It also boasts Jacob's Ladder, cut by a travelling salesman of over a century ago from Edale on to Kinder Scout, and worn since then by countless boots and shoes until mended under the Community Programme.

A survey found that in 1986 about 3.75m hiking days were spent in the Peak Park, which is mainly in Derbyshire. It has new trails along old railway lines as well as orthodox footpaths. The White Peak, with its limestone walls, lies within a horseshoe of harsher, gritstone country. Both limestone and gritstone are popular with climbers.

Derby Cathedral

The survey calculates that, in all, visitors spent 18.5m days in the park. This makes it one of the most heavily used in the world. The much larger Smokey Mountains park in the US scores only 10m.

Peak Park planners worry about the number of people who congregate at Bakewell or Castleton or in Dovedale on a summer Sunday afternoon. The visitors come mainly from Manchester, Sheffield and the other industrial areas surrounding the Peak.

Hundreds of cars were congregated on an August morning at Chatsworth, built beside the Derwent for the first Duke of Devonshire around 1700. The Chatsworth house and garden (adult entrance, £3.50) have 280,000 visitors a year and have several related enterprises. The Chatsworth estate employs 150 people full-time, plus 120 or more part-time in the summer.

Closer to Bakewell is the fortified manor house, Haddon Hall, which the Duke of Rutland's forebears were fortunate enough to inherit as a result of a romantic elopement in Queen Elizabeth's day. It attracts 75,000 people and employs 50 part-time.

"The whole attraction is that it is completely unchanged," says Mr Nick Day, the comptroller. "I don't have ice-cream kiosks or lions or zebras. We open solely to preserve the house. We don't want to make money."

Another Peak attraction is the custom of dressing wells with pictures made of flowers. It raises money for an increasing number of villages.

Visiting groups in 1986 spent on average £9.61 in the park, which, allowing for inflation, was an increase of 38 per cent on 1972. Many, however, have picnics and spend nothing.

The survey figures suggest that only about half a million of 1986's visitors stayed overnight or longer in the area. In summer, they tended to stay in tents or caravans, or with friends and relatives just outside the park.

The park planning board, keen to encourage more staying visitors, has helped set up a Peak District tourist forum. It also has a network of seven camping barns (£1.50 a night, bring your own mattress) and has made grants to farmers to repair them.

"You would be amazed," says Mr Smith, "how popular they have been, especially with groups of children from inner cities. It has been so popular that farmers are queuing to come into the scheme."

There is a farm holidays association which began in Staffordshire. This attracts visitors from Holland and North Germany, for whom the Peak is one of the closest areas of hill country. The East Midlands Tourist Board is helping seven ferry companies to launch farm holiday packages.

"This is a rare situation," says Mr John Dillon-Guy, of the board. "Usually the market end is difficult. But we have the market and we are able to go to the park and seek the accommodation."

The board has also found interest growing in the Home Counties, and will be launching a Peak District brochure at Christmas. Last year its grants helped to provide or improve 68 hotel bedrooms and 18 self-catering units in Derbyshire.

Most Derbyshire hotels, however, are not in the Peak Park. Some are in Buxton which, in its heyday, brought to the Pennines a touch of Bath elegance. It even has a stone-built crescent.

This town, 1,000 feet above sea-level, can be chilly and windswept, even in August, and it is some way short of its former glory. But the refurbishment 10 years ago of the opera house by the council and the High Peak Theatre Trust arrested Buxton's decline. For most of the year, the house operates as a local theatre; but the summer opera season, featured on television, is now four weeks long.

The old thermal baths have become an upmarket shopping precinct, and the Pavilion Gardens enable Buxton to cater for conference-goers, including a town-full of flower arrangers.

High Peak District Council would also like to encourage tourism at Glossop, the old mill town at the north-west gateway to the national park, which feels itself to be Buxton's poor relation.

Derby is to have a 200-bed, four-star hotel which, with the Assembly Rooms, will enable it to cater for major conferences. Meanwhile, its newly-formed tourism association lists 659 hotel beds in and around the city, and wants to fill them at weekends as well as through the week.

It has ideas for a fine china weekend, an Edwina Currie health-eating break, a bargain-hunters' weekend. "There are a lot of factory shops within easy reach of Derby," says Mr Andrew Clark, of the Chamber of Commerce.

The National Trust has made two tourist-pulling acquisitions in the area.

One is Kedleston Hall, an 18th century masterpiece built by Robert Adam around Sir Nathaniel Curzon's furniture collection. It also houses the Indian mementos of the more famous Lord Curzon, who was viceroy early this century.

The other acquisition is Calke Abbey, which the Harpur-Crewe family left unchanged for a century: it is now a record of times past, for they never threw anything away. The Trust is engaged in the tricky task of repairing and rewiring it without changing its appearance.

Mr Clark says that Derby is going to be at the World Travel Market. "American tour operators say they are fed up with Stratford, Edinburgh and London, where everybody gets ripped off. Do you realise what a marvellous tourism centre Derby could make?"

PROFILE

The Bakewell Pudding Shop

IF YOU think those sponge-covered pastries you buy in cake-shops are Bakewell tarts, you are deceived. Real "Bakewell puddings" have a softer, richer filling, more like custard, and are best eaten warm.

A million a year pour from the ovens of the low-ceilinged, stone-built pudding shop at Bakewell, chief town of the Peak National Park. In summer they are baked round the clock, 600 every two hours.

Mr Graeme McBain, from Fraserburgh, who has managed the shop for 17 years, guards the recipe jealously. It contains eggs, sugar and almond, he says, but there are two secret ingredients that he declines to disclose.

The story runs that, around 1860, there was a misunderstanding at the White Horse Inn. The cook, making strawberry tart for visiting noblemen, put an egg mixture on top instead of stirring it into the pastry. The noblemen enjoyed it — and a Mrs Wilson, wife of a candlemaker, saw a chance to go into business making Bakewell puddings.

The Wilson family bought their 17th century shop, beside the Chesterfield road, from the Duke of Rutland in 1921. It now belongs to a Sheffield company, J.M.Roper Ltd. Mr John Roper went there with his wife: she fell in love with it, and he bought it. He brought in as manager Mr McBain, whom he had known as chef of the Queen's Head, Chesterfield.

Bakewell puddings come in three sizes: individual, four-portions and six-to-eight. They are sold in the shop and the cafe above it, and are sent off in hundreds by post, especially to British servicemen in Germany. "They like a taste of home," says Mr McBain.

Everything, he says, is done as before. Every pudding is hand-mixed and hand-made, though "we have to produce so many we bought an electric roller for the puff pastry".

A new electric oven is the same as the 27-year-old one it replaced, though at £27,000 it cost nine times as much.

The bakehouse is four times as large as when he arrived. The staff has risen from eight to 33, including part-timers and three members of the McBain family: his son Adrian is a baker, his son Jason a chef, and his daughter Heather is in the shop.

Focus on figure, face and place

William Packer visits two London exhibitions and Petworth House, West Sussex

Some three weeks ago I wrote about two distinguished examples of the small anthology exhibition, namely Judy Egerton's selection of British Drawings at the Tate and Nerys Johnson's *Moments of Being* at the Nottingham Castle Museum. But the genre is not confined to the public sector, and coincidentally the private galleries suddenly seem full of other good shows of just this sort.

As delightful as any is now at the Nigel Greenwood Gallery (4 New Burlington Street W1: until October 8), where Jeffery Camp offers his personal choice of work by friends and colleagues, young and old. It makes a perfect pendant to Camp's own retrospective at the Royal Academy's Diploma Galleries (which I reviewed last week), for it evinces a range of sympathy not so broad as to lose its focus, but generous enough to make clear that he has no wish for other artists to paint as he paints, share his interests, follow his rules.

He is himself a painter with a romantic vision of the figure, which he always shows in its natural context of landscape or interior; and whether his figure is alone or in a group, its situation ambiguous or explicit, the work is ever fraught with sexual suggestion and possibility. But he visits none of these expectations upon his fellows, though all of them, painters and sculptors alike, are figurative artists. He leaves them to be themselves, whether it is to paint the landscape (Patrick George; William Gillies), or to work entirely from the figure (Leonard McComb).

Others may choose to place the figure in an interior – quietly (John Lessore) or with unrepentant eccentricity (Anthony Green). Some choose to paint the portrait (Craigie Aitchison); to cast it into transcendental religious symbol (Cecil Collins) or expressionist grotesque (Ken Kiff); or to reduce it to an ideal conformity of proportion (Euan Uglow). There are still lifes too, of immaculate objectivity (Uglow again); vigorous academicism (David Hockney); and heraldic simplicity (Peter Kinley).

But various as they are, these artists do come together, though those intangible qualities of touch and feel – qualities as real in the experience as they are hard to pin down. One or two, such as Kitaj, Caulfield and Hockney, are well known, and others, such as Kossoff, Collins and Camp himself are coming into their own, but few have major reputations yet, even at home. But all of them, young and old, are painters' painters, recognised by their peers, which is the highest commendation of all.

It is all to do with the quality of the marks they make on canvas or paper, not to be savoured for any grandiose effect or image achieved, but simply for itself. There is, too, the quality of attention and respect that is paid to the image, that by extension is the object that first intrigued the artist in his imagination.

It might be the skeleton on the studio floor drawn by the student Hockney, or Gillies' Scottish hillside, Collins' Christ walking on the water, or Uglow's shrivelled tangerine – or the grey rabbit of Peter Kinley (who died only this month), laid onto its green ground with such unaffected and deceptive simplicity. None is done to impress anyone: each is done modestly, for its own sake.

*

The Self Portrait, an exhibition organised for last year's Bath Festival by the Artsite Gallery (sponsored by IBM UK Trust and on tour ever since), now comes to Fischer Fine Art (30 King Street, St James's, SW1: until October 7) for a London showing. The idea was Harry Holland's, one of the contributing artists, and taken up by the critic, Edward Lucie-Smith, who selected the work and wrote the accompanying book.

Not all the work is of an equal weight, with some big names represented by minor responses to the brief, or whatever was available – though Barry Flanagan's quick self-study is as charming and effective an effort as any. But there are good things, especially by artists who were intrigued enough to commit themselves to their self-portrait, whether there was to be an exhibition or not. Holland's is one, and those by Michael Murfin, Sara Rossberg (who also has a current show at the Thumb Gallery in Lexington Street W1), Mary Mabbutt and Ian Breakwell stick in the mind. Best of all is the Norman Blamey, a distinguished work by any measure, and by a senior RA who is too often dismissed as a mere portrait painter.

It is precisely here that the show is most useful, for showing that portrait painters may be true artists nonetheless, while artists of all kinds are no less happy to keep the portrait alive and well: they have only to be asked. In this connection Flowers East, the East End annexe to the Angela Flowers Gallery (at 199/205 Richmond Road E8) opens tomorrow with a large invitation exhibition of contemporary portraits, from Auerbach to Paolozzi (until November 12).

*

Finally, the National Trust Foundation for Art is showing at Petworth House (until October 30) a group of drawings and paintings by artists who were invited to work at some of the properties damaged in the great storm of last October. The Foundation has been set up to involve as wide a range of contemporary artists as possible in the work and life of the Trust with a programme of commissions, exhibitions and special projects.

The idea is to make sure that a creative response to the properties as they are now may be registered and preserved, whenever possible, in the houses concerned. The nature of the Trust's work of preservation and conservation make a certain historicism and antiquarian bias inevitable, but that is not to say that the modern world should be shut out. Devasting as it was, the great storm did at least provide opportunity, and indeed the necessity, of such a new Foundation: *ars longa, vita brevis*. The work is now bound to continue, and in happier times.

Ian Breakwell's Self Portrait, 1986, at Fischer Fine Art

London Symphony Orchestra

BARBICAN HALL

The second of Michael Tilson Thomas's concerts as newly-inaugurated Principal Conductor of the London Symphony Orchestra was intended to introduce to London the emigré Russian pianist Vladimir Feltsman, who has developed a considerable reputation and following since his arrival in America last year.

Unfortunately, Mr Feltsman fell ill, and his role as soloist in the Prokofiev Second Concerto was taken by another Russian emigré, Mikhail Rudy (Paris-based, and himself making here his London debut).

It was a last-minute replacement, and the LSO can congratulate themselves on finding one so fully equipped for what is after all one of the more titanic of virtuoso piano concertos. The fingers were powerful, the technique was vigorously mettled, and there was an unruffled command of the two massive solo cadenzas at either ends of the work that function as supports for its steel-built structure.

In the circumstances it is probably unfair to complain that the performance was restrained to a single interpretative level, that of brazen efficiency, and that the once-upon-a-time fantasy of the work (which the composer underlined by his use of the word *narrante* in his marking of the soloist's opening) was consistently skirted or even slighted. There was an insufficiency of colour variety, of smoky tones and half-lights, in the pianist's whole approach, and in the orchestra there was a definite want of rhythmic bite and dramatic accentuation. Nevertheless Mr Rudy has surely earned a return encounter with the orchestra – and a properly prepared one at that, which should reveal his abilities more fairly and fully.

The remainder of the programme – the Rimsky-Korsakov Russian Easter Festival Overture as starter, the Bartok Concerto for Orchestra to finish – found the LSO and its new conductor in somewhat Sunday-night-ish mood. Particularly in the Bartok, there was a feeling of showing-off married to untidiness that revealed itself in tempos (for the "Game of the Couples" and the finale's closing pages) too fast to allow the musical ideas to tell.

Max Loppert

Emerson Quartet

WIGMORE HALL

The Emerson Quartet, an American ensemble founded in 1976 by the Juilliard School students, Eugene Drucker and Philip Setzer, who have set their creation apart by continuing to alternate as its first violinist, made a powerful showing at the Wigmore Hall on Saturday night.

Their programme began with Mozart and ended with Beethoven, but its centrepiece, Bartok's Fifth Quartet, was offered, I take it, as a foretaste of their recording on compact disc of the complete Bartok Quartets for Deutsche Grammophon.

The Mozart work, the "Hunt," K458, was the least impressive item, though that is not to say a too hard thing. The Emersons' sonority and musical mentality did not seem, in retrospect, at all Mozartian (but Bartokian, Beethovenian), and though the "Hunt" was rendered in clear, broad lines and with plenty of energy, there were patches of roughness which compounded a generally heavy-handed approach. One often missed tripping rhythms, subtle shadings of tone and a flexible utterance.

But in Bartok's Fifth Quartet, the players shone; they scraped the furious opening figures with mettled precision, and the percussively-driven textures which dominate this first movement and beyond always had a luminous incisiveness. The Adagio second movement was beautiful and filigree; the central *scherzo alla bulgarese* appropriately silky – its serious whimsicality, its muted decisiveness were perfectly caught.

In the finale of the great, five-movement and (whose structure came across as unusually articulate and dramatic) one could thrill to, and admire, the Emersons' maximal, but compactly-formed Bartokian tutti.

For Beethoven's *Serioso* Quartet Op 95 in the second half, Philip Setzer took over as first violin. This was a superb, intimately-detailed account, full of bravura, beautiful phrasing (notably from the first violin in the inner movements) and Juilliard brilliance.

The finale's Allegro coda was taken at an absurd, madcap prestissimo, but the players brought it off. They then launched into the *Prestissimo con sordino* movement from Bartok's Fourth Quartet – an encore that made one long for a fresh concert.

Paul Driver

'Resurrection' premièred in Darmstadt

Andrew Clements reviews Peter Maxwell Davies's latest opera

For more than a decade now Peter Maxwell Davies has been assuring anyone who dared to suggest that his music had lost the power to shock that his forthcoming opera, *Resurrection*, would outstrip anything he had done before. It has been forthcoming for a long time; he conceived the idea in 1963, while working on his first opera Taverner and in the late 1970s planned to write it for Covent Garden. But the Royal Opera shrank from the libretto and withdrew its invitation and so 25 years after its conception *Resurrection* has finally been staged in West Germany, at the State Theatre in Darmstadt, after a commission from the city itself.

After the relatively contained and self-sufficient scenarios of the chamber operas *The Martyrdom of St Magnus* and *The Lighthouse*, *Resurrection* returns to an exploration of Maxwell Davies's personal preoccupations and obsessions. Where *Taverner* sited its personal iconography in a firm historical and musical context – it was after all about real people and real moral dilemmas – the new opera, a prologue and single act playing continuously for some 80 minutes, allows that symbolism free rein. *Resurrection* is very much set in the present, in the tawdry, exploitative contemporary world in which TV commercials can constantly blur the distinction between fantasy and reality, and the establishment in all its moral, religious and political manifestations does its damnedest to make the individual to conform to its norms.

The individual "hero" in the opera is a life-size dummy present on stage throughout. In the prologue he is berated by his family, teachers, doctors and priests, until his head literally explodes under the pressure; in the main act he is taken into care and treated by a team of surgeons who systematically deal with his intellectual, emotional and sexual problems, until horribly mutilated he can be pronounced cured, and undergo a resurrection as a new improved member of society. That tenuous narrative thread, acted out with pantomimic overstatement and larded with heavy irony is cross-cut with 22 TV commercials projected at the rear of the stage, so the whole opera teeters on the brink of parody. All the distinctions are broken down – between life and reality, art music and pastiche, truth and hypocrisy – and the final resurrection is a victory for no one.

The parallels with *Taverner* are close, and I would suggest that without knowledge of that opera, and what its protagonists represent, *Resurrection* could seem entirely contrived. The Prologue is dominated a masked cat, whose dances are seen to control the disintegration of the Hero, just as the Jester pulled the strings in the earlier opera. In the main act, both the White Abbot and an Antichrist return from the past, and the closing moments, when the reborn Hero is again revealed to be manipulated by the Cat, now transformed into a dragon, is a direct reworking of the same moment from *Taverner*.

That kind of esoteric cross-reference is obviously of crucial personal importance to Davies, and the whole opera, indeed, clearly has intense autobiographical significance. But the gap between that array of metaphor and their translation into musical and dramatic images proves just too great – there are simply too many layers. The visual reference for the commercials, for instance, was a sequence of Dürer engravings, but registering that fact adds nothing to working out of the opera. Such a gap was there in *Taverner* too, but the historical substance, and the quality of the music nearly always bridged it.

In *Resurrection* the scenes lack any such backbone, and float around in a sea of indulgence, for which the music provides no support. There is very little that can be identified as Maxwell Davies's natural idiom – the transition between the Prologue and main act is recognisably the work of the composer of, say, *the Sinfonia Concertante*, but most of the rest is pastiche of one kind or another. A pop group at side stage accompanies the Cat's dances and returns to deliver the final song of resurrection, an amplified vocal quartet supplies the jingles of the TV ads, while the caricatured pillars of society who manipulate the hero, the surgeons and priests, gods and politicians, carry musical parodies too. Some of those hark back nostalgically to Davies's music of the 1960s, when his musical irony carried genuine dramatic force, but here they have been neutered and deprived of their power to shock.

In the end *Resurrection* is not nearly shocking enough, theatrically or musically. Despite its gaudy extravagance the Darmstadt production by Peter Brenner (with designs by Waltraud Engelbert, and confident musical direction by Hans Drewanz) is tame, and some of the most flamboyant images suggested in the libretto, particularly the sexual ones, have been toned down or omitted. The problems run deeper than that, however. This may have been a work Davies needed to write out of his system, but for that very reason he has failed to provide the kind of dramatic necessity such a scheme requires. The last quarter of the opera collapses into a parade of disparate images, desperate tilts at establishment windmills that are given no operatic function at all, but are little better than rag-week jokes with routine musical accompaniment. One fervently wishes it could become more than the sum of these wild, unfocussed components, but well before the end one realises it is not to be.

Beethoven Plus series starts

FESTIVAL HALL

This was an unfortunate start to the "Beethoven Plus" series on the South Bank. As Klaus Tennstedt felt that he could not conduct the planned prestige performance of the *Missa Solemnis* without extra rehearsal time in the Festival Hall, the concert on Sunday underwent a violent metamorphosis. Schubert's Ninth Symphony emerged as the major work and the programme became minus most of its Beethoven, rather than plus.

As though to make amends, Tennstedt and the London Philharmonic threw themselves with impulsive energy into the Eighth Symphony, which had been added so that there was at least a token piece of Beethoven for the Festival's opening night. The symphony may have been acting as a curtain-raiser, but at least when it is played in as tempestuous a fashion as this, it acquires a greatly enhanced measure of substance.

In everything that Tennstedt does, there is a deep seriousness of purpose. Neither of the two symphonies that finally made up this programme is among the most profound of the music its composer wrote and yet in this conductor's hands the Beethoven never sounded lightweight, or the Schubert vacuous. One feels that every phrase, no matter its place in the overall design, has to mean something and be significant.

After the interval a wave of pulsating energy swept the Schubert irresistibly forwards. The first movement went at a bracing speed. A single arch seemed to shape the Andante con moto; and if there was some lack of Viennese grace in the central movements (violins digging deep into the strings had earlier made the Minuet of the Beethoven a rather solid affair) that was a small price to pay for a reading so intensely eager and passionate.

As so often in the past, the LPO responded to Tennstedt's leadership with their most urgent, concentrated playing. Indeed, the Schubert, in particular, was a most splendidly involving performance in every way – but for all that it was not the programme that was advertised. *If I had paid for a ticket to see the Missa Solemnis*, I would still be feeling aggrieved.

Richard Fairman

ARTS GUIDE

September 16-22

OPERA AND BALLET

London

Royal Opera, Covent Garden. Elijah Moshinsky's 1987 production of Mozart's Seraglio returns to the Covent Garden repertory. Jane Glover makes her house debut as conductor, and the cast includes Mariella Devia, Deon van der Walt and Robert Lloyd. The savagely exotic and fascinating Andrei Serban production of Turandot has Gwyneth Jones in the title role and Edward Downes as conductor.

English National Opera, Coliseum. First new production of the ENO season is David Pountney's radical staging of La Traviata. Pountney's ugly, coarse-grained modern-dress Carmen sports at least a fine cast (including Jean Rigby, Jacque Trussel and Sergei Leiferkus) and conductor (Yan Pascal Tortelier). The limply staged wartime-in-Mussolini's-Italy Tosca production by Jonathan Miller has the vivid Janice Cairns in the title role, Edmund Barham, and Malcolm Donnelly (836 3161).

Sadler's Wells. On September 20, Michael Clark, enfant terrible of post-modern dance, starts a season with his own peculiar tribute to William and Mary. Not for the squeamish (278 8916).

Paris

Opéra. Verdi's Rigoletto conducted by Alain Lombard/Alain Guingal returns to the Palais Garnier after 18 years' absence with Neil Shicoff/Taro Ichihara Fondary/Manuguerra as Rigoletto and Alida Ferrarini/Christine Barbaux as Gilda (474 2575O).

Vienna

State Opera. In repertory: Pelleas et Melisande, conducted by Claudio Abbado, with Frederica von Stade, Christa Ludwig, Malcolm Walker. Tanz-Schule, Ballet (Première), by Maurice Kagel, conducted by Arturo Tamayo, with Ballet d'Action. La Fanciulla del West conducted by Anton Guadagno. Otello conducted by Adam Fischer, with Gabriela Benackova, Margarita Lilowa, Georg Tichy. L'Italiana in Algeri conducted by Claudio Abbado. (51444, ext 2520).

Volksoper. In repertory: Die lustige Witwe, conducted by Konrad Leitner. Gasparone by Millöcker, conducted by Rudolf Bibl. Der Freischütz, conducted by Dietfried Bernet. Tiefland by d'Albert, conducted by Konrad Leitner. Ein Walzertraum by Oscar Straus, conducted by Rudolf Bibl. Der Opernball by Richard Heuberger (51444).

Berlin

Deutsche Oper. Götz Friedrich's production of Falstaff has fine interpretations by Karan Armstrong, Carol Malone, Ingvar Wixell and Wolfgang Brendel. Elektra returns with Ruth Hesse, Dio Vinzing, Hans Beirer and Gerd Feldhoff. Katja Kabanova has a strong cast led by Patricia Johnson.

Hamburg

Staatsoper. Der Troubadour features Sharon Sweet, Ruza Baldani, Leo Nucci and Harald Stamm. The revived production of Eugen Onegin, sung in Russian, is the highlight of the week. The cast stars Bernd Weikl in the title role, Karita Mattila, Daphne Evangelatos and Kurt Moll. Der Barbier von Sevilla brings Cecilia Bartoli, Leo Nucci, Giorgio Tadeo and Jengwirf Nesterenko together.

Cologne

Opera. Gounods' Faust has its premiere this week, produced by Willy Decker with costumes by Martin Rupprecht. In the main parts are Josef Protschka, Ferruccio Furlanetto, Ludwig Baumann and Ashley Putnam. Das Gauklermärchen, composed by Gerhard Konzelmann received controversial reviews on its premiere last week. Die Italienerin in Algier is a competent repertoire performance.

Bonn

Opera. Semiramide, the first premiere this season, produced by Pier Luigi Pizzi, has an interesting cast led by Cheryl Studer in the title role. Graham Vick's successful production of Don Pasquale is revived with Rolando Panerai, Angela Maria Blasi and Bruno Pratico.

Frankfurt

Opera. Il Barbiere di Siviglia stars Alice Baker and Alessandro Corbelli. Grace Bumbry is accompanied by Jonathan Morris in a lieder recital. Fidelio, with Michal Shamir, Reiner Goldberg and Douglas C. Johnson, rounds off this week.

Milan

Teatro Alla Scala. Homage to Strauss, the Munich Bayerische Staatsoper's production of three works by Richard Strauss, conducted by Wolfgang Sawallisch. Daphne directed by John Cox (Sun to Wed) with Kenneth Garrison, Keiko Kanegawa, Catherine Malfitano and Manfed Schenk; and (Thurs) Die schweigsame Frau, directed by Gunther Rennert and designed by Rudolf Heinrich, with a cast including Birgit Calm, Julie Kaufmann, Alfred Kuhn and Wolfgang Bauch (80.91.26).

New York

New York City Opera (State Theater, Lincoln Center). The week features the world première of Jay Reise's Rasputin, which was commissioned by the company, and is conducted by Christopher Keene and directed by Frank Corsaro, with John Cheek in the title role. There is also a new production of Rigoletto, conducted by Elio Boncompagni and devised and directed by Tito Capobianco, along with Lucia de Lammermoor, Rasputin, Die Zauberflöte and La Traviata. (496 0600).

Chicago

Lyric Opera (Civic Opera House), in its first production with the company, La Sonnambula opens the season with Miriam Gauci as Lisa and Frank Lopardo as Elvino in Sandro Sequi's production. (332 2244).

Tokyo

Teatro alla Scala, Milan. La Bohème, conducted by Carlos Kleiber, directed by Franco Zeffirelli, with Mirella Freni, Peter Dvorsky, Barbara Daniels, Jonathan Summers. Tokyo Bunka Kaikan (Tues, Thurs).

SALEROOM

£1m for Kafka's 'Trial'

Kafka's original manuscript for his partly autobiographical novel *The Trial* is to be sold by Sotheby's in London on November 17th. A price of around £1m is anticipated for the 316 handwritten pages of what the sale room claims is "the most important modern literary manuscript ever sold at auction."

The Trial was written in 1914 and Kafka never attempted to publish it in his life time. It is one of three Kafka novel manuscripts still in private hands (the rest are in the Bodleian, Oxford) and belonged for many years to his friend and literary executor, Max Brod, who ignored instructions to burn it, and who rescued it from Prague as the Nazis were entering the city in 1939 and later from Israel at the time of the Suez Crisis in 1956. Brod arranged its publication in 1925, a year after Kafka's death, and its greatness was immediately recognised.

Kafka wrote *The Trial* just after breaking off his engagement to Felice Bauer. The high estimate that Sotheby's has put on the work is influenced by the price of $500,000 it achieved in New York last year for a collection of the letters Kafka wrote to Bauer. These went to a private collector, suggesting that there is considerable international interest in the literary relics of the great Czech writer. But American universities can be expected to lead the bidding for such a unique item.

A major, unexpected Turner turns up on view at the Tate Gallery until the end of this month. "Cicero in his villa" failed to sell at Christie's in the summer when Evelyn de Rothschild was expecting to make £6m from it. Now it is being put on display, first at the Tate, then at the British art exhibition in Madrid.

House sales always out perform expectations. Seend Green House in Wiltshire brought in £134,531 from the morning session, more than the all day estimate, in a sale organised by Christie's South Kensington. Top price was £11,000 paid for a huge George III mahogany breakfront bookcase.

The John Hopkins University, in the US, is almost £1.5m richer today following Sotheby's New York week end sale of property from the estate of the late James R. Herbert Boone, a Baltimore worthy who graduated from there in 1921. Top price was £46,980 for a pair of italian rococo marble top giltwood side tables of around 1760, from Batchwood Hall, St Albans with an Adam attribution.

Antony Thorncroft

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Victory in Sweden . . .

THE TRIUMPH of the Social Democrats in Sweden's general election is bound to revive optimism across the whole western European left that the political climate in the democratic world is changing to their benefit. Certainly the British Labour leader, Mr Neil Kinnock, will be looking with interest at the success of Swedish Social Democracy and seeking to draw lessons from its latest achievement that can be applied in the UK.

It will prove very difficult for the Labour Party to emulate the Swedish success story that has brought Social Democratic domination of the country for 50 out of the past 56 years. Labour leaders like Hugh Gaitskell and James Callaghan used to take a personal interest in the "middle way" approach to socialism that made Sweden the most effective welfare state in the world as well as a highly affluent, egalitarian market economy. But the sporadic concern on the British left for the Swedish road to socialism has too often failed to pay enough attention to the features of Swedish social democracy that have made it so distinctive.

Qualities of adaptation

The secret of its success lies in its extraordinary qualities of adaptation. The party has never been convulsed by ideological conflict over economic and social questions. Marxism always played a marginal role in Social Democratic development. Unlike British Labour the party has not allowed itself to become obsessed with who owns the means of production, distribution and exchange. Instead of trying to nationalise the commanding heights of the economy, the Swedish Social Democrats, in close alliance with the powerful blue-collar trade union movement, made a historic compromise with capital – a compromise which reaches its half century this autumn.

As a result, Sweden has enjoyed in the post-war years both the fruits of a vigorous, internationally minded capitalism and a paternalistic welfare socialism. This has been made possible through the consistently high priority the Social Democrats have given to full employment; the mechanism has been a training and labour market strategy that has met the changing needs of Swedish industry. Today the country has less than 2 per cent jobless and suffers from none of the social malaise and poverty that has scarred many parts of western Europe in the 1980s.

At the same time the Social Democrats have been open to new thinking. The party leaders attack neo-liberal ideas in their rhetoric, but they are quite willing to seek market and individualistic solutions to Sweden's economic problems. Indeed, they have shown themselves to be much more able at managing capitalism than the centre-right in Sweden.

Market socialism

Sweden's Finance Minister, Mr Kjell-Olof Feldt, the architect of his country's 1980s economic revival and of Sunday's election victory, makes no secret of his determination to stimulate a more entrepreneurial version of market socialism through a radical deregulation of the economy (as long as this can be done without threatening full employment) in order to keep Sweden in line with the European Community's move to the 1992 internal market. No doubt this will stimulate tensions between the party and the unions but the two have worked together in constructive harmony for too long for any parting of the ways. The present public row in West Germany over labour market flexibility between the unions and the Social Democratic revisionist leader, Mr Oskar Lafontaine, would be unheard of in Sweden.

Indeed, the Swedish left does appear to have discovered a winning synthesis for social democracy which reconciles individual freedom with the concept of social citizenship. What is being tried in New Zealand and Australia, including financial deregulation and tax cuts, may now occur in Sweden. As Mr Kinnock packs his bags for another difficult Labour Party conference, he can be forgiven for casting an envious glance at last weekend's elections in Sweden, but the gap between the traditions of the British Labour Party and the pragmatic idealism which characterises the Swedish Social Democrats looks so wide as to be unbridgeable.

. . . survival in the UK

Britain's Social Democratic Party is still in business although it has yet to establish quite what it is in business for. Its convention in Torquay, the first in this year's season of party conferences, has established its continued if fragile existence as a fourth national political party after the Conservatives, Labour, and the Social and Liberal Democrats – the party created by a merger between the Liberals and a sizeable part of the original SDP. This is an achievement in itself, since the damage done to centre politics and parties by the protracted deliberations over the merger had so reduced the SDP's standing in the opinion polls that as the "rump" it seemed in danger of disappearing altogether.

That it has not done so is due to the faith placed by its membership in the political acumen of its leader, Dr David Owen. The party's parliamentary strength is now reduced to three in the Commons – himself and two others – plus a sprinkling of peers. On its present showing, the SDP would probably fail to win the 5 per cent of votes considered necessary to qualify for any parliamentary seats at all under some of the West European systems of proportional representation that its leader so admires.

Creator of wealth

If it is to do better than that it must find a focus for its principles and policies. Dr Owen attempted to do this, with limited results, in a lengthy speech to the Torquay conference yesterday. One central theme was the clear adoption of the social market economy as SDP policy. He is enthusiastic about the virtues of the market as a creator of wealth. If his party is half a step behind him (on, for example, coal privatisation), that may be partly to do with the failure of some of its members to understand the concept, and partly the result of a genuine reluctance to embrace all of it quite as quickly as the leader would like. Since the social market is itself accepted by the Conservative Government, Dr Owen had little option but to emphasise the social expenditure side of the equation, particularly on health, education, training, investment in scientific research and the like.

He is also in favour of the independent nuclear deterrent and he did not criticise the Government's defence policy. On other areas of foreign policy, however, Dr Owen was better able to distance his party from the Government. Apartheid in South Africa was the principal moral issue in current foreign policy, he said. He found the Government's friendly approach to Pretoria "repugnant." Again, the SDP favours a more whole-hearted Europeanism, including the acceptance of a common currency and a European central bank.

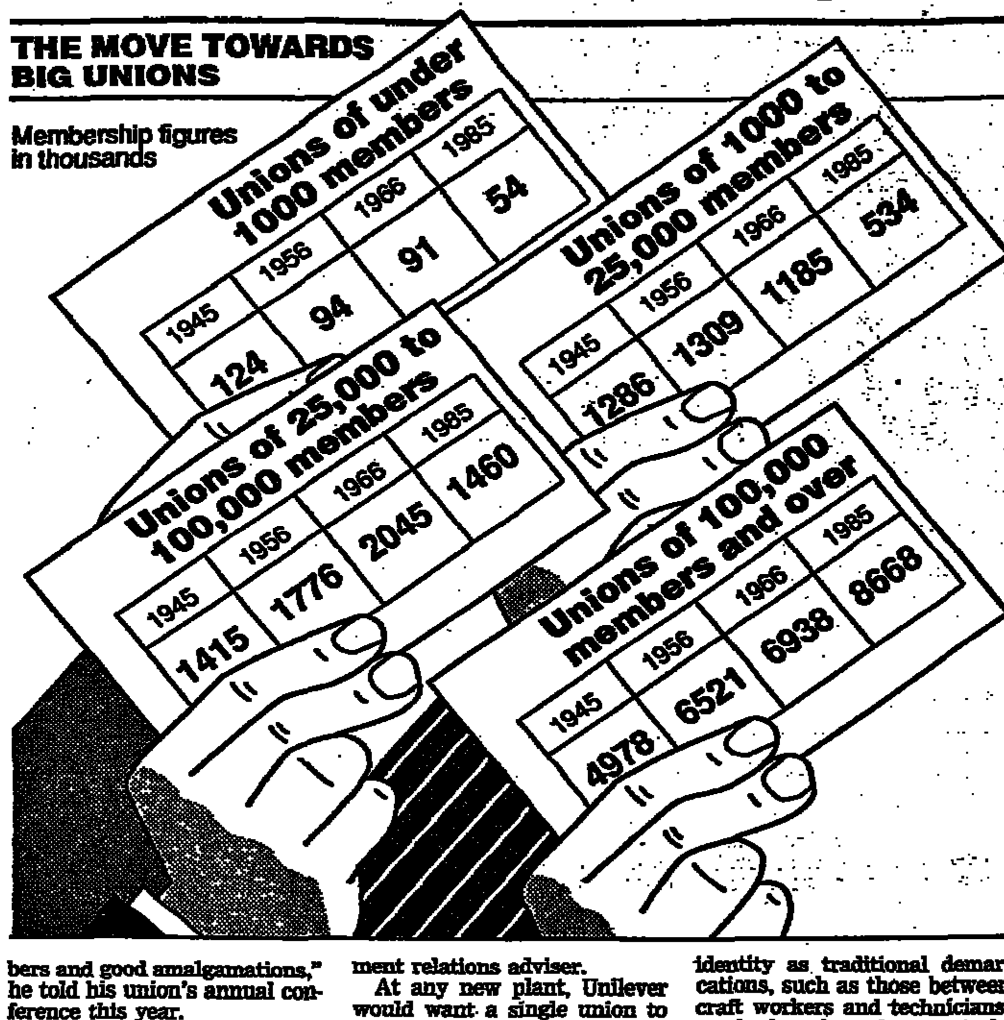
Rallying cry

All this adds up to a more emollient approach to the social market and a shift to a less nationalistic foreign policy. It is not, however, a sufficient answer to the persistent question: "What is the SDP for?" Perhaps sensing as much, Dr Owen attempted in his speech yesterday to bring proportional representation back on to Britain's political agenda. He offered it as fair voting, a rallying cry for his party members, and a policy around which the Scottish, Welsh and Irish nationalists could unite in the House of Commons. Even some of Labour's leaders were beginning to talk of its product, a balanced parliament, he said.

Technically speaking, Dr. Owen has a point. Britain's opposition parties could in theory set aside their other differences and work together for a referendum on PR. In practice, those differences still run too deep for any such thing to be more than a pious hope. The SDP leader is willing to believe that the Labour Party will see the merits of such a reunification as it gets nearer to the prospect of a fourth general election defeat. Even in the unlikely event that he is right, that would mean a convergence of parties in 1990 or 1991. If the SDP does not start to perform better in by-elections and local elections well before that, it may not still be in business at the time.

John Gapper and Michael Smith on a merger trend among UK trade unions

The brothers are joining forces



Some years ago, the 803,000-strong General, Municipal, Boilermakers and Allied Trades Union approached the 17 members of the Sheffield Wool Shear Workers' Trade Union and offered to take them over. The smallest affiliate of the Trades Union Congress said no.

"We have always done quite well by ourselves," says Mr Ray Cutler, the SWSU's general secretary, although he admits one or two drawbacks in having only 17 members. He has never visited the annual TUC conference, for example. "The union is that small, we haven't got the funds," he says.

Wool shear grinders and benders notwithstanding, the past century has seen a steady decline in the number of small unions of craft workers. As the crafts themselves have become outdated by technology, many have sought comfort in mergers. In 1890, there were about 1,200 unions. In 1986, 375 were registered.

If this process continues at the same pace, there would be perhaps 200 unions by the turn of the century. But few now think it likely that so many will survive. The late 1980s are becoming, according to Mr John Monks, TUC deputy general secretary, the era of the greatest changes in union structure for 60 years.

Suddenly, it is no longer only small unions who are, in the words of Mr Gavin Laird, general secretary of the 815,000-strong Amalgamated Engineering Union, "running for cover." Unions including Mr Laird's own are amalgamating, or seeking mergers with others that are equally large.

The National Union of Public Employees (651,000 members) and the National and Local Government Officers' Association (759,000 members) are considering a merger that would create the largest union in the country. The 329,000-strong Electrical, Electronic, Telecommunication and Plumbing Union has disclosed plans to amalgamate with the AEU.

The prospect of the AEU and EETPU merger has gained in significance following the EETPU's expulsion from the TUC two weeks ago. Some see it as a means by which the EETPU could slip back within the TUC's fold without publicly abandoning its defiance of the TUC's inter-union disputes procedure.

But perhaps the most significant of these moves so far has been the merger of Tass, a medium-sized manufacturing union, with the Association of Scientific, Technical and Managerial Staffs. Together, they form Manufacturing, Science and Finance: with 653,000 members, it is now the TUC's fifth biggest affiliate.

Such developments have led Mr John Edmonds, the GMB's general secretary, to predict that the TUC will be dominated by four or five "super-unions," each with more than 1m members, by the year 2000. "We have to grow to be in the big league. We need new members and good amalgamations," he told his union's annual conference this year.

Why has the urge to merge with other unions become so strong in the late 1980s, and why has it spread to unions of all sizes?

One force is employers' wishes. For companies recognising anything up to a dozen unions at established plants, mergers are the best hope of reducing the costs and complications of pay bargaining. Although many would like to reduce the number of unions they recognise, it can be an arduous process.

A few have taken the plunge of de-recognising unions altogether. Some have agreed single bargaining structure covering several unions. There are, however, only a few examples of companies succeeding in reducing the number of unions they recognise at existing plants independently of mergers.

If mergers continued as in the past, there would remain about 200 unions by the turn of the century.

Unilever, the food and chemicals multi-national, has reached agreements at three of its UK plants to create a single bargaining structure covering several unions. "Multi-union agreements do cause problems, there is no doubt about that," says Mr Brian Spencer, the company's senior UK employment relations adviser.

At any new plant, Unilever would want a single union to represent a spread of employees from white-collar staff to technicians and engineering craft workers. "We would like a union that could service the whole range of skills and grades," says Mr Spencer, talking wistfully of a merger between the AEU, the EETPU and MSF.

But leaders of the emergent super-unions argue that pressure from employers and the desire for single-union deals, have not been the main force behind mergers. "Single-union deals are a fashionable issue at the moment, but the real pressures on unions have been almost entirely internal," says Mr Edmonds. The main problem for unions in traditional manufacturing sectors in the past decade has been a loss of members caused by an employment shake-out. Such changes have cut income from members' subscriptions and created financial problems for many unions. In response, they have sought safety in numbers through amalgamations.

Leaders of the new merger-based unions argue that they can serve their members better the larger they are. According to them, economies of scale allow large unions to provide more services to members, and avoid duplication of duties among officials. "MSF is already a leaner, more competent organisation," says Mr Ken Gill, joint general secretary of MSF.

A loss of members is not the only pressure afflicting many craft-based unions. They are also threatened by a loss of identity as traditional demarcations, such as those between craft workers and technicians, are broken down by new technology. For such unions, a merger can be an opportunity not just to increase membership, but to broaden it.

Yet whatever the pressures on unions to merge, the process can be a difficult one.

The first problem is the nature of unions: those wanting to merge require the backing of their members. The proposed merger between the National Graphical Association and the Society of Graphical and Allied Trades print unions has involved intricate negotiations over regional structures and members' subscriptions, and has been dogged by old rivalries.

Some amalgamations fail. The 5,000-strong staff union of the Eagle Star insurance company joined the 166,000 members of the Banking, Insurance and Finance Union in 1982, believing its membership was threatened by new technology. Disillusioned with being part of a larger union, it broke away again earlier this year.

Furthermore, it is open to question whether mergers always make financial sense. Mr Alan Wood, chairman of the staff union (ESSU), says that since leaving Bifu, the smaller union has been able to cut its membership subscriptions from £3.63 a month to between £1.50 and £3.50. It no longer has to pay its share of employing Bifu's full-time staff.

A problem that dogs many mergers is that financial difficulty is often the motive for a union allowing itself to be taken over. The dominant Engineering Section of the Amalgamated Union of Engineering Workers started running at a deficit when it merged with the troubled Foundry and Construction sections in 1983.

In 1982, the Engineering Section's total annual expenditure was £17.6m and its income £17.7m; including £15.9m from members' subscriptions. By 1984, economies of scale had failed to prevent the merged Engineering, Foundry and Construction sections spending £21.2m against an income of only £19.7m, including £17.3m from members' subscriptions.

Yet, whatever the difficulties, the trend towards larger unions is gaining momentum. Beyond changes to internal structures, what are the likely consequences?

The most important is likely to be a final laying to rest of the possibility of Britain's union structure moving towards that of the Federal Republic of Germany, where the 17 members of the main union confederation, Deutscher Gewerkschaftsbund, are divided according to industries.

Hankerings after a similar model have emerged periodically within the TUC. The last concerted attempt at reform was made 25 years ago by Mr George Woodcock, then TUC general secretary, who tried to get the general unions to give up members in some sectors to allow the development of a set of industry-based unions, but had to retreat in the face of opposition.

"I wasn't having any," later recalled Mr Jack Jones, then general secretary of the Transport and General Workers' Union, the TUC's largest affiliate since its formation in 1922.

The latest round of mergers are likely to confirm this view.

For many unions that have traditionally been confined to sectors, the chance to broaden the recruitment base can be as significant as the simple gain in members through a merger. Mr Edmonds defines the GMB's strategy as "following the trends in employment" by spreading into the service sector and white-collar organising areas.

Loss of members through job shake-outs has led to money problems for many unions.

Mr Edmonds and Mr Gill both dismiss the idea that unions attempting to grow by merger should confine themselves to specific industries. Both argue that the growth of conglomerates has blurred industrial boundaries. "Look at Hanson, look at Pearson. What industry are they in?" asks Mr Edmonds.

A further incentive for unions to merge is the chance it offers at multi-union plants to tip the balance of power within joint union structures.

The Tass and ASTMS merger has already made MSF the majority union in many plants. The effect is to raise the influence of white-collar and technical staffs against those of craft and semi-skilled workers.

Yet some argue that general unions can have significant weaknesses compared to craft and industry-based unions. One is that they may find more difficulty in attracting and retaining members because they do not command the same sense of identity as bodies like the National Union of Mineworkers, or the Sheffield Wool Shear Workers' Union.

Dr James McFarlane, director-general of the Engineering Employers' Federation, says that workers inevitably identify less with a general union than an industry-based one. A similar complaint is made by MR Wood. "Bifu was too big, too impersonal . . . all the things you hear about multinational companies."

Some general unions have implicitly recognised this weakness. The GMB refers to its hotel and catering workers' section as a separate union in recruitment literature, while ASTMS maintained a federal structure to reassure smaller unions that they would retain independence following a merger, and to allow it a clear local identity.

Apart from the consequences to individual unions and companies, the move towards general unions could also have far-reaching effects on inter-union relations.

For the TUC, it is already a touchy subject. The EETPU's attempt to break out of old craft areas using its own brand of strike-free, single union deals lay behind the friction with other unions that led to its expulsion from the TUC. Some fear the spread of general unions can only lead to worsening conflict.

The TUC's drafting this year of a code of practice for unions seeking single-union deals is a recognition of such a potential. Mr Monks says the trend towards fewer unions is beneficial, but unions "must be careful not to exaggerate differences of style and policy, or plunge into new organising fields to the detriment of others."

Yet the growth of general unions is bound to raise growing questions about the sanctity of union organising areas. Worse still, from the TUC's point of view, the role of a central organising body is also likely to come under scrutiny if the TUC is dominated by four or five unions by the turn of the century.

This questioning process is likely to be stimulated if the EETPU flourishes outside the TUC. Mr Laird says the TUC is "already under threat and less relevant than it used to be." As the power, size and ambitions of general unions grow over the next decade, so too may the incentive to follow the EETPU's lead.

OBSERVER

Caputo's signal

■ It is not entirely unusual for the President of the United Nations General Assembly to continue as his country's Foreign Minister. When Gaston Thorn held the job in 1975, he was not only Foreign Minister of Luxembourg but Prime Minister as well. Humayan Rasheed Choudhury combined the post with being Foreign Minister of Bangladesh two years ago, and Amintore Fanfani did it for Italy in 1965.

Nevertheless, there is something slightly odd about Dante Caputo being in the running. Caputo is the Foreign Minister of Argentina and the election for the UN Presidency takes place in New York today. The contest is between Caputo and Dame Nita Barrow of Barbados. She is the elder sister of the late Barbadan Prime Minister and has a string of diplomatic accomplishments to her credit, including membership of the now defunct Commonwealth Eminent Persons Group on Southern Africa. Caputo, however, is the favourite.

The oddity is that he is one of President Alfonsin's closest advisers on Argentine domestic as well as foreign policy. A sociology graduate of the Sorbonne, and of international relations at Tufts and Harvard, he is one of his country's leading intellectuals, if slightly *circa* Paris 1968. It was he who was paving the way for constitutional reform until the plans began to stumble. At the age of 45, he clearly has a future. The questions are: where and what?

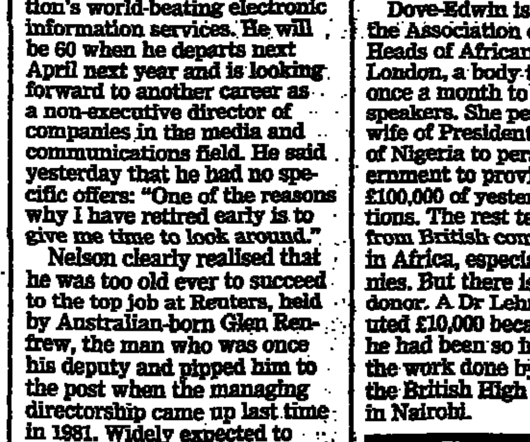
Since Alfonsin's Radical Party may well be defeated by the Peronists in the Presidential election next May, Caputo seems to be looking around. The Presidency of the General Assembly runs for a year: he could probably continue to hold it *ad hominem* even if he lost his job at home. He has been seeking third world support by inviting a large number of African delegations to Buenos Aires and last month expelled the South African consul. According to the Caputo camp yesterday, he expects to win at least 96 of the potential 159 votes. Others say that the result will be closer.

The Presidency of the General Assembly is unpaid, but includes lots of perks, invitations, foreign travel and decorations. It can be a very important job, and probably will be in the coming session.

Hammond's job

■ Eric Hammond, general secretary of the EETPU electricians' union, now expelled from the TUC, is being touted as a possible union nominee on the agency the Government is planning to take over the functions of its Training Commission.

The opportunity for a quiet word on the subject may well come up over coffee on Friday at a conference organised by the National Economic Development Office in association with the Commission. Not only is Hammond due to speak at the conference, entitled The Challenge of Change; so is Norman Fowler, the Employment Secretary, and the man who will decide which, if any, individual union nominees will be associated with the new national training agency. The EETPU was expelled from the TUC earlier this month.



"You're one hundredth of a second late, Pembleton – you're fired."

Reuters' riches

■ The announcement of the retirement of Michael Nelson, the Deputy Managing Director and General Manager of Reuters, is not a complete surprise. Nelson pioneered the organisation's world-beating electronic information services. He will be 60 when he departs next April next year and is looking forward to another career as a non-executive director of companies in the media and communications field. He said yesterday that he had no specific offers: "One of the reasons why I have retired early is to give me time to look around."

Nelson clearly realised that he was too old ever to succeed to the top job at Reuters, held by Australian-born Glen Renfrew, the man who was once his deputy and pipped him to the post when the managing directorship came up last time in 1981. Widely expected to succeed the outgoing Reuters chief, Gerald Long, Nelson saw the Reuters board follow Long's advocacy and appoint Renfrew instead. Now 60, he too must be nearing retirement. Ex-Reuter men still dine out on telling Long stories.

Bitterly disappointed though Nelson was, his career at Reuters had its compensations. His shareholdings in the company after it went public made him a multi-millionaire. And his ultimate satisfaction is the knowledge that a contract which he had the foresight to negotiate in 1964 with a little-known US computer company, Ultronics, laid the foundations of what has become the world's leading screen-based information service.

Good diplomacy

■ After the tales of unpaid parking fines and shooting incidents among the diplomatic community in London, it is pleasant to record some good deeds. Norma Dove-Edwin, wife of the Nigerian High Commissioner, yesterday handed a chèque for £130,000 to the World Health Global Programme for AIDS in Africa. She also gave £21,000 to Unicef for emergency programmes in the Sudan, Somalia and Ethiopia.

Dove-Edwin is President of the Association of Wives of Heads of African Missions in London, a body that meets once a month to hear outside speakers. She persuaded the wife of President Babangida of Nigeria to persuade his Government to provide about £100,000 of yesterday's donations. The rest tends to come from British companies active in Africa, especially oil companies. But there is one mystery donor. A Dr Lehman contributed £10,000 because he said he had been so impressed by the work done by the wife of the British High Commissioner in Nairobi.

Creative

■ Card in a Basingstoke shop window: "Busy café requires assistant with ability to do accounts. Some cooking."

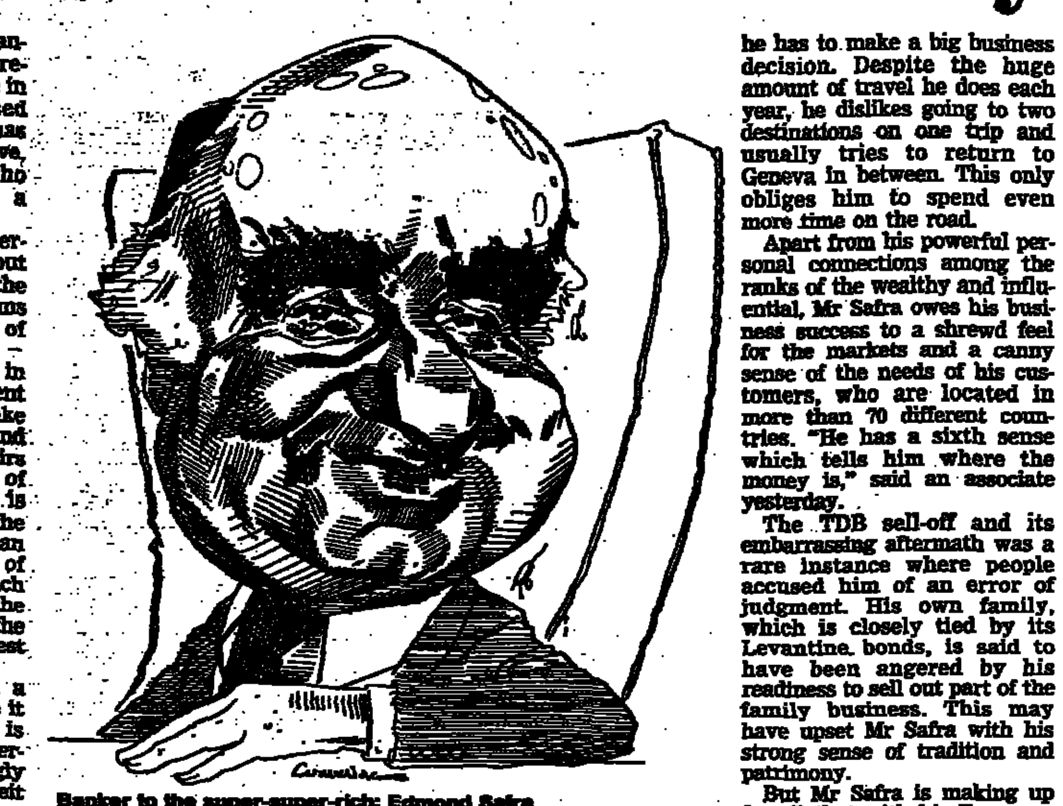
David Lascelles on the reclusive style of banker Edmond Safra

Sixth sense for the money

Few international financiers manage to preserve their mystique in today's hard-nosed world. One of the few who has is Edmond Safra, the reclusive, Lebanese-born banker who announced his plans for a European bank yesterday.

Safra is not merely super-rich and exceedingly shy about it. He is also banker to the super-super-rich, which means he probably knows more of them – and about them – than just about anyone else in the world. His life is redolent of palatial residences on Lake Geneva, the Côte d'Azur and Fifth Avenue, and his affairs are steeped in the aura of deeply private banking. It is not even very clear where he calls home. He is a Brazilian citizen, but is a resident of Switzerland and spends much of his time travelling round the capitals of Europe and to the US, where he has his biggest investments.

He might even be called a legend in his own time were it not that he proved that he is made of flesh and blood yesterday by granting an exceedingly rare press interview – albeit about his business rather than himself.



Banker to the super-super-rich: Edmond Safra

The encounter occurred in the London branch of Republic New York, a bank to which he is a major shareholder. "Branch" is the technically accurate but wholly inappropriate word to describe the sumptuous mansion in Berkeley Square where Republic conducts its business in the West End. Behind the discreet brass plaque at the door lie reception rooms stuffed with antiques and original oil paintings where clients are received and entertained. There is not a teller, a cash machine or so much as a cheque book in sight. The truly rich never deal in actual money.

Mr Safra himself is a portly 56-year-old with a big domed forehead and plump cheeks which suggest an amused smile. He apologised yesterday for a bad back which meant he had to perch upright on a hard chair, but he was otherwise in good spirits and plainly excited about his new venture into European banking.

The venture is, more correctly, a return to European banking, because Mr Safra has deep business roots in Europe. Born to a long-established banking dynasty in Beirut, his family moved to Italy after the last war and later to Brazil where they founded the Banco Safra (which is run by a brother now).

In 1956, Safra returned to Europe to found the Trade Development Bank in Switzerland. It grew rapidly, specialising in the personal banking affairs of Mr Safra's acquaintances and business associates in the Middle East. In 1966, he repeated the trick by starting up Republic Bank in New York, which also emerged as a major force in the private banking business. It specialised in a traditional Safra interest, gold trading and in other activities like dealing in the bank notes of foreign countries.

Not all was plain sailing for Mr Safra. Five years ago he sold TDB to American Express for $520m and became a kind of ambassador for the group. But the arrangement did not work. Mr Safra fell out with American Express's management under Mr James Robinson, the chairman, and resigned in early 1985. Since then, Mr Safra has lacked a major banking platform in Europe, particularly in Switzerland from which he was barred under a five-year no-competition agreement with American Express.

That expired this year and Republic, in which he has a 35 per cent stake, quickly opened an office in Geneva. But Safra plainly wanted more than that, hence the new scheme unveiled yesterday.

The key to all Safra's business ventures is caution, based on lessons learned, no doubt, in the volatile region of the world where he grew up and from his knowledge of the particular anxieties which haunt those who possess great wealth. "It's not what money you might make but what you might lose," he said yesterday. "Our clients' nest eggs have got to be protected for them."

All Safra's banks (he owns more in California and Florida) are well capitalised. The emphasis is constantly on strength and safety. Over 90 per cent of Republic's assets are in money market instruments rather than locked-up in loans, which means they can be liquidated at short notice. "We're bad lenders, so we don't like to take chances," he said. He notes that Republic has no Third World exposure at all.

Those who know Safra well say he is deeply imbued with a sense of history and the threat of impermanence. A superstitious man, he is said to consult a portrait of his father which hangs in his office whenever he has to make a big business decision. Despite the huge amount of travel he does each year, he dislikes going to two destinations on one trip and usually tries to return to Geneva in between. This only obliges him to spend even more time on the road.

Apart from his powerful personal connections among the ranks of the wealthy and influential, Mr Safra owes his business success to a shrewd feel for the markets and a canny sense of the needs of his customers, who are located in more than 70 different countries. "He has a sixth sense which tells him where the money is," said an associate yesterday.

The TDB sell-off and its embarrassing aftermath was a rare instance where people accused him of an error of judgment. His own family, which is closely tied by its Levantine bonds, is said to have been angered by his readiness to sell out part of the family business. This may have upset Mr Safra with his strong sense of tradition and patrimony.

But Mr Safra is making up for all that with his European bank. The venture is based on his view that the European Community's plan to create an integrated market by the end of 1992 creates an excellent banking prospect. The private banking market – insofar as anyone can measure it – is thought to be worth at least $1,000bn and perhaps as much as $2,000bn. If the new bank can get only 1 per cent of that, it will command huge sums – though Mr Safra stresses it will target "the conservative end."

"The EC market is going to become the biggest in the world, bigger than the US, in terms of people, wealth and GNP," he says.

Mr Safra, who will be chairman, is investing $200m of his personal wealth in it. Those private investors who take up the $250m-$300m of shares being offered on the open market will effectively be putting their money on Mr Safra, his conservative business style and his impressive personal connections. Together with the $430m being contributed by Republic, Safra Republic Holdings will be close on a $1bn bank.

"We thought $1bn was a good figure to start with," said Mr Safra, with a tone that suggested there was plenty more where that came from.

FOREIGN AFFAIRS

The new arms control equation

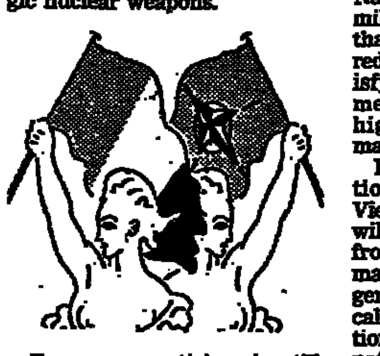
Ian Davidson says France's role is just one changing element in conventional arms talks

There is an old joke about the interminable hair-splitting of academics. A venerable professor spent a *lifetime* studying the Iliad and the Odyssey. At last, he came to a fundamental conclusion: the two epics were not written by Homer, but by another poet of the same name.

Analogous jokes are liable to be told about arms control negotiations in Vienna. For 15 years, East and West have been talking about cuts in their conventional forces. In these so-called Mutual and Balanced Force Reductions, no agreement has been achieved, not even on the name of the talks. Shortly these MBFR talks will be closed down – and a new set of talks on conventional force reductions will be opened up. Under a different name, of course. Kafka invented nothing.

Scepticism may seem out of place in the Gorbachev era. The MBFR negotiations have to be closed down, because both sides got into ruts so deep that they could no longer see over the top. With a different negotiation, different participants and different rules, there could be movement.

Moreover, the Gorbachev era has already produced unprecedented progress in arms control. After the rigid refusal of his predecessors, he conceded the case for a medium-range Euromissile deal; and he is manifestly prepared to go to considerable lengths to secure deep cuts in long-range strategic nuclear weapons.



Even so, scepticism is still appropriate for conventional arms control. The nuclear face-off between the two superpowers is based on parity and overkill; they can both afford large reductions, without sacrificing either the credibility of their deterrence or the principle of equivalent cuts. But the conventional confrontation is based on gross asymmetries, both in numbers and in geography. The Russians have more troops and tanks, and getting reinforcements to central Europe would be easier for them than for the Americans. A "balanced" force reduction agreement would therefore have to be heavily skewed in favour of the West, if it were to maintain its security.

A study[1] last December by the RAND think tank of the US underlines the skew required to give the West a robust conventional defence. If the West were to be able to hold up a Warsaw Pact attack for 30 days, within 20-40 km of the original frontier, then either Nato would need to add around five divisions, or the Warsaw Pact would need to disband 25-30 divisions.

Any plausible arms control deal would involve cuts by both sides, however. The RAND study suggests, first, that the ratio of reductions would have to be at least 4:1 in Nato's favour to improve the military balance; and second, that the absolute size of the reductions must be high to satisfy Nato's security requirement. Small cuts, even if highly asymmetric, would make little difference.

In short, getting a conventional force agreement in Vienna *will be a tall order. It* will require immense goodwill from Mikhail Gorbachev and major sacrifices by the Soviet general staff; but it will also call for a searching re-examination by both sides of the real nature of the East-West confrontation as we approach the 21st century. For the past 40 years, the practical assessment of the Soviet threat has largely been left to the worst-case assessments of the military. In a serious negotiation on deep cuts in conventional forces, both sides will have to be a sight more subtle than that.

One innovation in the run-up to the new conventional arms talks is not merely that France will be a participant, but that the French Government is approaching the negotiations in a constructive frame of mind. In the past, the Quai d'Orsay has been widely suspected of sowing minefields of obstruction and delay in the path of any attempt to implicate France in arms control. President François Mitterrand has now decided that the prospect of real arms control is an opportunity which must not be thrown away, and he wants serious negotiations in Vienna.

As a measure of the new approach, the French Government appears determined to be wholly undogmatic. Even before the new talks have begun, the East-West negotiators in Vienna have been engaged in formal manoeuvring on recondite issues of zones and dual-capable aircraft. But the French say that none of these issues has the force of holy scripture: the only consideration, is what will improve military security and reduce the danger of Soviet surprise attack.

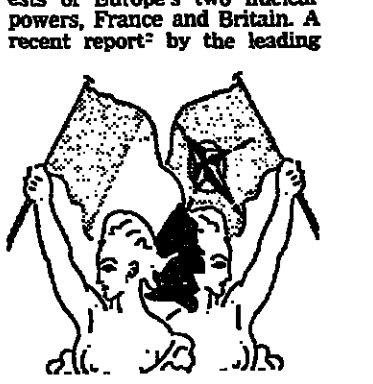
One point on which Paris has not shifted is the absolute priority of French national autonomy. This is not to be a negotiation between two blocs. Yet the paradox of a real negotiation is that it must urge a military rapprochement between France and her European allies; and the double paradox of a conventional-force negotiation is, first, that it will downgrade France's unique status as a European nuclear power, and yet second, that it will raise sensitive issues of French nuclear doctrine.

Five years ago, in the East-West confrontation over nuclear missiles in Europe, President Mitterrand played a powerful symbolic role on the *sidelines when he publicly* endorsed the deployment of new American cruise and Pershing 2 rockets in West Germany. In the new Vienna talks, France will not be on the sidelines; but the more it insists on its independence from its allies, the less its *influence* will be.

Conversely, the prospect of a rearrangement of the conventional balance in Europe must cause some rethinking of the *conventional* nuclear equation, both in Nato and in France. The French say that there can be no change in their doctrine of absolute nuclear deterrence, whereas the rest of the alliance has been increasingly concerned to raise the nuclear threshold; but it would be surprising if the Vienna negotiations did not underline the need for greater convergence between them.

Moreover, a successful Vienna negotiation would have a profound impact, not just on relations between East and West in Europe, but also on the political geography within Western Europe. The Euromissile crisis reinforced France's political influence in Europe, and paved the way for President Mitterrand's defence rapprochement with West Germany. But in an era of détente and arms control, France's nuclear role is a less salient card. In the joint Franco-German Defence and Finance Councils launched this year, France's nuclear dominance may be thought to have balanced Germany's economic dominance. Détente may raise questions over that balance, and over the future basis of the Franco-German bargain.

In short, the paradox of an up-beat view of conventional arms control is that it would underline the convergent interests of Europe's two nuclear powers, France and Britain. A recent report[2] by the leading



foreign affairs think-tanks in France and Britain has concluded that these convergent interests call for the two countries to conclude a bilateral security treaty, so as to promote co-operation in nuclear, conventional and arms control fields. Hitherto, such co-operation seems to have had a higher priority in Paris than in London; quite accidentally but symbolically, the report has already been published in Paris but not yet in London.

[1] *Conventional Arms Control Revisited; Thomson, Gantz; RAND;* [2] *Pour Une Nouvelle Entente Cordiale; Boyer, Lellouche, Roper (eds); IFRI and RIIA*

LETTERS

Strength means using UK production capacity

From Mr T.M. Barclay.

Sir, There can be no doubt that the future of Britain's manufacturing industries now depends entirely on our ability to maximise the use of our production capacity.

Those firms determined to survive recognise that shift working, and seven-day work rotas, must become the accepted norm. Only thus will unit costs be reduced to internationally competitive levels.

It is depressing to compare this need with the Luddite attitude of the Trades Union Congress (TUC) conference at Bournemouth. Its knee-jerk resistance to continuous operation is the less explicable because the 168-hour week requires at least four employees for each machine, and could have an impact immediately on unemployment levels.

Trade-union resistance is buttressed by the punitive premiums applied to overtime, shift work, and weekend working – substantially higher in the UK than in many competitor countries.

This attitude is typified by the current Confederation of Shipbuilding and Engineering Unions (CSEU) claim in the engineering industry which seeks – apart from higher wages, a 35 hour week, and more holidays – a "substantial increase" in shift payments and overtime premiums.

Perhaps the time has come for managements to consider the full implications of the "equal-pay-for-work-of-equal-value" legislation, and the recent House of Lords landmark ruling. Is work done at 9pm of more value than the same work performed at 9am? Is a task carried out on Saturday or Sunday worth more than the same task completed on Tuesday or Thursday?

T.M. Barclay,
Fine Tubes,
Estover Works,
Plymouth, Devon

Scotch whisky imports restricted in Korea

From Mr H.F.O. Bewsher.

Sir, I am surprised at Mr Um's statement (Letters, September 14), that "Korea has long recognised that the only really effective way of ensuring their own industries reach and maintain a competitive level in today's global markets is to encourage competition with foreign imports in the domestic market."

Scotch whisky continues to face punitive barriers in Korea; one reason being the Korean Government's desire to allow its domestic whisky industry to develop, although Korean consumers have shown little liking for this protected product.

The quantity of Scotch whisky (and other spirits) which may be imported each year is subject to strict Korean Government recommendation. Only a government agency, the Korean National Tourist Corporation, and a small number of other authorised companies (for example, Korean Air Lines) may import bottled-in-Scotland Scotch whisky, which thereafter can only be sold through duty free shops, and hotels and restaurants catering for tourists.

Moreover, the exorbitant levels of duty and taxation which apply, in any case, place such bottled-in-Scotland Scotch whisky out of reach of most Korean consumers. The minimum price of bottled-in-Scotland brands is about £40 per bottle.

A degree of liberalisation was granted in 1984 when, for the first time, malt and grain Scotch whiskies were allowed to be imported separately in bulk, to be blended and bottled in Korea as 100 per cent Scotch whisky, and sold on the domestic market. But this concession applies only to two or three Korean companies, and is subject to quantitative restrictions. The 1988 quota has been set at a level below 1985 ...

Our industry, with the whole-hearted support of the British Government and the European Commission, has tried to persuade Korea to liberalise bottled-in-Scotland imports of Scotch whisky in time – it had been hoped – for the Olympic Games. It was not to be.

H.F.O. Bewsher,
Director General, the Scotch Whisky Association,
20 Atholl Crescent,
Edinburgh, Scotland

Car exports on fragile base

From Mr H.F. Astor.

Sir, The example of Jaguar cars shows how fragile the industrial export economy is. The short-term strength which the £ has experienced recently has been a permanent feature of the Japanese yen and the West German Deutsche Mark. Both countries are exporting more cars than ever, but have solid export surpluses.

The extra 3 or 4 per cent per annum which foreign investors were able to get at the beginning of the interest rate rises has now been wiped out. If the £ continues downward, any difference in interest is lost in days – not per annum.

H.F. Astor,
Barnsnape Farm,
Cuckfield, Sussex

Much prestige — but very little capital invested in the TPRC

From Mr Robert E. Baldwin and others.

Sir, As American economists specialising in international economics, we have been astonished and alarmed to learn that the Trade Policy Research Centre (TPRC) is in financial difficulties. The TPRC is not just "one small policy group". The great influence of the centre, relative to its modest size, is remarkable.

The centre's Thames Essays and its journal, The World Economy, are very widely read. This is because they excel in clear and stimulating analyses of sometimes technically complex, always politically difficult, trade issues, and the pros and cons of policy options for resolving them.

The centre's carefully prepared and highly successful meetings invariably draw influential participants from business, government and academia. With the respect it has come to enjoy in policy-making circles around the world, the centre has been able to play a unique, important role in convening informal round-table meetings of ministers, senior officials, business leaders and independent economists (and lawyers) from the most important trading countries. Through such occasions, the centre has been able to make direct contributions to policy discussions at inter-governmental levels, drawing not only on its own studies but also on those of others.

A great deal of prestige has been invested in the TPRC, but very little capital. For 20 years the centre has been seriously under-funded. Perhaps that has been the price of being the first institute, anywhere, to take a close, continuous interest in trade policy issues arising at inter-governmental levels.

On the basis of its outstanding record, particularly in demonstrating the economic and political benefits – to firms, workers and societies at large – of an open and rule-based trading system, the TPRC deserves to be afforded strong financial support so that it may continue and expand its important work.

Robert E. Baldwin,
University of Wisconsin-Madison,
Bela Balassa,
Johns Hopkins University and World Bank,
Isaiah Frank,
Johns Hopkins School for Advanced International Studies,
Gottfried Haberler,
American Enterprise Institute,
Gary Hufbauer,
Georgetown University,
D. Gale Johnson,
University of Chicago,
Lawrence B. Krause,
University of California at San Diego,
Mordechai Kreinin,
Michigan State University,
Robert Lawrence,
The Brookings Institution,
Mancur Olson,
University of Maryland,
Gardner Patterson,
Washington DC,
Gary Saxon,
University of Michigan,
T.N. Srinavasan,
Yale University,
Robert M. Stern,
Brandeis University

FINANCIAL TIMES
Tuesday September 20 1988

Kaunda and Botha may hold regional peace summit

By Michael Holman in Maputo

TENTATIVE plans are being made for a meeting between President P. W. Botha of South Africa and President Kenneth Kaunda of Zambia to discuss recent southern African peace initiatives.

African and Western diplomats say various recent developments may have laid the ground for such a meeting.

These are the apparent progress in the US-sponsored talks on Namibia and Angola under way since May, signs of better relations between Mozambique and South Africa, and hopes for the release of Mr Nelson Mandela, the African National Congress leader, from detention.

One possible issue for discussion is a potential mediating role for President Kaunda in efforts now taking place to reconcile the Angolan Government and the Unita rebel movement led by Dr Jonas Savimbi, which is backed by South Africa and the US.

The other main hurdle to a settlement in south western Africa is the wide gap between South Africa and Angola over the timetable for the withdrawal of some 50,000 Cuban troops from Angola.

A meeting between President Botha and President Kaunda would be welcomed by the British Government. Sir Geoffrey Howe, Britain's Foreign Secretary, who returned to London early today from his 10-day visit to five African countries, has been expressing cautious hopes over recent developments in the region.

In response to a sceptical questioner at a weekend press conference who raised the issue of the apparent stalemate in South Africa, Sir Geoffrey suggested that the "mate was not as stale" as his questioner suggested.

While in Maputo, the Mozambican capital, Sir Geoffrey also hardened Britain's position over South Africa's breaches of the non-aggression pact with Mozambique, where rebels backed by Pretoria threaten the British-aided rehabilitation of the Limpopo railway, a project designed to reduce black southern Africa's dependence on South African trade outlets.

In the keynote speech of his journey, Sir Geoffrey emphasised that Britain expected South Africa to honour the pact, a call which is understood to have been firmly made by Mrs Margaret Thatcher, Britain's Prime Minister, in private messages to Mr Botha.

● Mr Javier Perez de Cuellar, the UN Secretary-General, pays his first visit to South Africa in five years tomorrow to discuss Namibia.

Industry on the menu for Italian parties

John Wyles examines a furious debate over Italy's state-owned sector

IF the 18th century British satirical cartoonist Gillray had been caricaturing the attitudes of the Italian governing parties to state industry, he would probably have placed a dozen men around a table, each with a knife and fork in hand and each with bulging eyes and greedily slavering lips.

Before them would be set a delicious dish marked "public industry" and the fleshy diners would be ignominiously scrambling for the largest share.

The five coalition parties understandably prefer to give a more decorous and high-minded impression of their response to pressures to reshape the public sector industry, stressing that recent management decisions in the state companies and the European Community's 1992 open market deadline necessitate a review of the problem.

The industrial debate in Italy vividly reflects the tensions being caused by the parties' reluctance to loosen their long-standing grip on the nation's economic institutions.

The resulting conflict with public managers, anxious to manage more according to the dictates of the market than of the politicians, is impeding restructuring and reorganisation within the public sector and between the public and private sectors.

Politicians and top managers are now obviously fed up with each other. Mr Romano Prodi, president of IRI, largest of the three state holding companies, has been stomping the country urging his political masters to play by the rules which require them to set long term aims and leave managers to get on with managing.

Mr Franco Reviglio, his counterpart at Eni, the public energy giant, has been less publicly vociferous but equally angry in private at his inability to choose the best solutions for struggling areas of his business.


Eni chief Franco Reviglio: unable to choose the best solutions


Premier Cirica0 De Mita: life becoming even more uncomfortable


IRI president Roman Prodi: leave managers to get on with managing

The fear now being expressed by most commentators is that the politicians are seeking to turn back the clock to the 1970s when managerial prerogatives, balance sheets and industrial logic were ruthlessly subordinated to preserving lame ducks and to furthering party interests.

Concern has been focused by the meeting of coalition party leaders on August 4 when Mr Bettino Craxi, the Socialist secretary, insisted that a number of decisions affecting the public sector must be frozen pending an in-depth review.

The immediate effect was to immobilise Mr Carlo Fracanzani, the Minister for State Holdings, whose unusually energetic exercise of the powers of his office in the past five months has, the Socialists feel, tilted rather too much towards reinforcing the Christian Democrat public sector empire.

After their election successes of the past 15 months, the Socialists believe their weight should be increased at the expense of their coalition ally and they will make life for Mr Ciriaco De Mita, the Christian Democrat premier, even more uncomfortable unless he agrees.

Socialists' suspicions have focused particularly strongly on the strategy being pursued by Mr Fabiano Fabiani, the Christian Democrat managing director of Iri's engineering subsidiary, Finmeccanica, and a former counsellor of Mr De Mita.

Starting from the premise that the Italian railway equipment industry is hopelessly fragmented, unable to plan and manufacture complete railway systems and about 25 per cent less competitive on price than its main European counterparts, Mr Fabiani has set about trying to build an integrated sector capable of competing for the huge domestic Italian investment envisaged for the 1990s.

His assumption is that after 1992 these orders can no longer be the exclusive preserve of Italian companies.

So since the spring he has bought crucial technological and manufacturing capacity in electronic signalling from American Standard, the US conglomerate, agreed a joint venture consortium with Firema, a small Italian railway electrical engineering company, and agreed in principle with the Fiat group to swap Alfa Avvio, the aero-engine components company, for Fiat's Savigliano subsidiary which specialises in advanced bogies and rolling stock.

The Finmeccanica chief wants to put all these parts together with Ansaldo Trasporti, until now only a producer of locomotives, to make what he says would be the third largest railway equipment company in the world.

All of which would appear to make sound industrial sense, except that it cuts into sensitive political nerve in at least two places. Concern about the power and reach of the Fiat group already runs high in the Socialist Party, which will not easily stomach passing full control of Italy's aero-engine production (through a marriage of Fiat Avvio and Fiat Aviazione) to Turin.

Secondly, Breda Ferroviaria is Italy's leading railway equipment producer and Breda belongs to Efim, much the smallest, financially weakest and persistently loss-making of Italy's three state-holding companies. Counting on Mr Craxi as its main line of defence, Efim has refused to allow Breda any role in Mr Fabiani's strategy despite approaches from Finmeccanica.

If Breda is left outside the national railway company, however, it could go to the wall.

Although the politicians arguably ought to be discussing whether it makes any sense for the three state holding companies to be overlapping in electrical engineering, tourism, insurance and several other sectors, in fact they will be seeking to trade between themselves a number of industrial and financial bargaining counters. These include:

● The succession to the late Marisa Bellisario as managing director of Italtel, the state telecommunciations company. The Socialists are pushing hard for Mr Roberto D'Alessandro, who runs the port of Genoa.

● Allocation of the top jobs in a number of state banks including Monte Dei Paschi di Siena, Banco di Napoli and Banco di Sicilia, plus about 20 savings banks.

● The future of the SME food company which Mr Craxi prevented Mr Carlo De Benedetti from buying three years ago. Mr Craxi's business ally, television magnate Mr Silvio Berlusconi, is interested in acquiring SME's supermarket chain, GS.

One heavily-backed forecast is that Mr Craxi's men will win more control of banking and that the once-to-be-privatised SME, shorn of its supermarkets, will be transferred from IRI to Efim as some compensation for losing Breda to Mr Fabiani's construct.

Whatever solutions eventually emerge will make some kind of political sense, but their industrial logic is much more uncertain.

THE LEX COLUMN

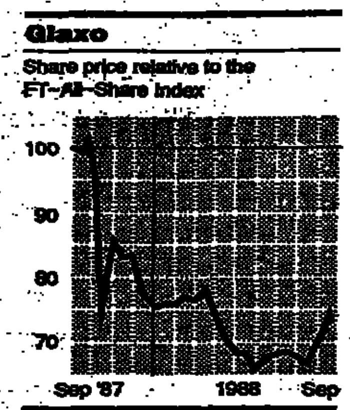
Glaxo settles back to the quiet life

It is too early to be sure, but it looks as if Glaxo's shares may have turned the corner. It has been a rough year for the UK market's fifth biggest stock, from the revelation of lower growth in last year's figures to the confusion caused by the huge scale of the research and development programme. The past six weeks, though, have seen a recovery of more than 10 per cent relative to the market; and yesterday's full year figures met with an encouraging lack of profit-taking, even if the price weakened with Wall Street later in the day.

Indeed, though the figures showed the expected slowdown – pre-tax profit up only 12 per cent, to £632m – there is much that is encouraging. Glaxo is still growing faster than its industry – from fourth to second in the world sales league in the course of the year – and trading margins before R & D are rock steady. Antibiotics seem to be taking up the running as Zantac slows, and it now seems that the build-up in the sales force may be complete by the early 1990s, allowing the contribution from the new drugs to come straight through to profit.

It is equally clear, though, that the cash mountain – now £910m net – is still growing, despite R & D and capital expenditure of £700m this year. The argument that the cash is needed for the business will scarcely do any more; and with big acquisitions explicitly ruled out, shareholders are entitled to ask for their money back. The company is belatedly to seek powers to buy its shares at the December AGM; in the meantime, it might help to put the £1bn portfolio under more active management.

At 986p, though, the shares are only on 11 times earnings to next June. The slight premium is surely justified by the fact that Glaxo is a defensive, counter-cyclical stock on almost every conceivable ground; and if the shares prove duller from now on, they should be safer as well.



Safra Republic

It is a measure of Mr Edmond Safra's mystique in the international financial community that his advisers are confident that they can raise $250m or more of new equity for a brand new European bank without a track record. To be fair, investors in previous Safra vehicles, most notably Trade Development Bank and Republic New York Corporation, have done well over the long haul. The latter's share price has risen by a compound rate of over 20 per cent per annum over the last decade, and a comparison with Citicorp's share price over the same period is even more flattering.

However, past performance is not always a guide to the future, and there are a number of reasons – ranging from the lack of a London and New York quote to the emphasis on quasi-tax haven business for wealthy individuals – which might make the more cautious international investor prefer the well known risks of Lloyds Bank, say, which is selling on less than 4 times earnings and yielding over 7 per cent. But though Republic may be raising capital on the cheap, there is somne comfort for investors in the fact that Mr Safra, unlike most bankers, is at least putting his own money on the line.

Coats Viyella

For a company whose main claim to fame was supposed to have been its ability to hold off the foreign textile hordes, admitting that imports had savaged its business was never going to be easy. But yesterday's 10¼ per cent drop in the Coats Viyella share price probably reflected two parts plain disenchantment with the group's ambitions for every one part of actual profits shortfall. Indeed, the market's aversion even extended to rival Courtaulds, which is only half as exposed to textiles as Coats Viyella.

Nonetheless, the logic of Mr David Alliance's grand global plan for the group must remain as persuasive as the day that he merged Coats Patons and Vantona Viyella; his aim, to source abroad and beat the cheap foreign producers at their own game, while using the Coats distribution network to push Vantona's products. But the group's businesses are proving slow to conform to Mr Alliance's way of thinking, and though foreign sourcing almost doubled in the first half, it remained embarrassingly low at only 10 per cent of UK sales.

Perhaps the market was too hasty in concluding, two years ago, that an international textiles conglomerate was the shape of things to come; but since then it has certainly made up for all its heady imaginings, marking the shares down 32 per cent against the market over the past year, even before yesterday's plunge. The prospect of perhaps £20m in reorganisation costs for the full year, meanwhile, is scarcely the stuff of recovery.

Gold

If the gold price obeyed the fundamental laws of supply and demand, it would almost certainly be a lot lower than it is today. Gold supply has risen by a third over the last five years, and should rise by at least as much again over the next five, as new mines with average costs of production way below current price levels come on stream. Meanwhile, there is no evidence that increased industrial/jewellry demand will be anywhere near enough to offset the increased supply. However, it would be wrong to ascribe the recent sharp fall in the gold price to any fundamental reassessment of the supply and demand balance.

The long-term gold bulls have never been particularly worried by the increasing supply argument. Not counting the 40,000 tonnes of gold in central bank vaults, there are another 70,000 tonnes of gold in existence, so the extra 500 tonnes a year which will be coming onto the market by the mid-1990s scarcely matters. Throw in the fact that if the price fell below $350 per ounce for a prolonged period, as much as a quarter of world production would disappear – since many high cost South African mines would stop producing – and the gold price should have a floor not far from current levels. However, gold has never been much affected by this sort of arithmetic, and the key, as always, lies with speculative demand. The real worry here is that the authorities have been moving surprisingly quickly to raise interest rates at the first sight of an acceleration in inflation.

French to launch debt relief plan for developing countries

By Paul Betts in Paris

THE FRENCH Government is drawing up new proposals expected to include a plan to alleviate the debt burdens of the large middle-income developing countries.

The proposals are expected to be put forward within the next week either at the annual meeting of the International Monetary Fund or at the United Nations General Assembly. They will embrace both the debt of poorest countries as well as that of large middle-income debtor countries, most of which are in Latin America.

They could be expected to take forward a Japanese suggestion to relieve the debt of the large developing country debtors by helping them to exchange some of their loans for new securities at a discount on face value.

The proposals are understood to have been worked on both at the Presidential Elysée Palace and at the Finance Ministry. It was uncertain yesterday whether they would be announced by Mr Pierre Beregovoy, the Finance Minister, at the forthcoming IMF meeting in Berlin or by President François Mitterrand during his address to the UN General Assembly in New York on September 29.

Although details of the plan appear not to have been finalised, the French are studying a scheme under which principal and interest payments of new securities, issued in exchange for loans by debtor countries, would be guaranteed by an escrow fund and financed by a special issue of Special Drawing Rights by the IMF.

The Japanese plan envisaged that a special IMF account would be set up into which developing countries would deposit resources to guarantee debt service payments on securitised and restructured debt.

The Finance Ministry was yesterday playing down a French news agency report quoting "very good sources" which claimed that France was about to propose its own plan for the conversion of part of developing country debt into negotiable securities.

The Elysée made it clear that Mr Mitterrand intends his UN speech to be an important policy statement, which would inevitably include North-South and debt issues. The speech will be his first major foreign policy statement since his re-election last May. The speech is expected to set the tone of France's foreign policy for his new seven year term.

The proposals would complement Mr Mitterrand's earlier suggestions, made at the economic summit in Toronto last June, for the alleviation of the debt of the poorest developing countries.

The Paris Club of rich creditor countries is this week reviewing the three-part debt relief plan for very poor countries which emerged from Toronto. The plan, which recognises that the poorest countries are simply unable to pay their debts, will for the first time allow Paris Club members to grant debt concessions to these countries.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	25	77	Dubrovnik	S	23	73	Malta	F	24	75	Rhodes	S	28	82
Algiers	F	25	77	Edinburgh	C	14	57	Manchester	C	13	55	Rio de J'o	R	24	75
Amsterdam	C	16	61	Faro	S	26	79	Manila	C	30	86	Rome	C	23	73
Athens	C	31	88	Florence	C	22	72	Melbourne	C	14	57	Salzburg	S	17	63
Bahrain	F	37	99	Frankfurt	R	18	64	Mexico City	C	25	77	San Francisco	C	12	54
Bangkok	R	31	88	Funchal	S	25	77	Miami	C	30	86	Seoul	C	22	72
Barcelona	S	24	75	Geneva	F	18	64	Milan	S	23	73	Singapore	R	31	88
Beirut	-	—	—	Gibraltar	F	23	73	Montreal	C	23	73	Stockholm	C	17	63
Belfast	F	13	55	Glasgow	C	15	59	Moscow	C	10	50	Strasbourg	S	20	68
Belgrade	F	18	64	Guernsey	S	17	63	Munich	F	15	59	Sydney	R	19	66
Berlin	C	15	59	Helsinki	C	09	48	Nairobi	-	—	—	Taipei	C	30	86
Biarritz	S	18	64	H. Kong	C	31	88	Naples	F	24	75	Tangier	S	26	79
Bombay	F	30	86	Innsbruck	S	20	68	Nassau	C	32	90	Tel Aviv	C	33	91
Bordeaux	S	20	68	Inverness	F	17	63	New Delhi	F	31	88	Tenerife	C	24	75
Brussels	C	18	64	Islamabad	F	33	91	New York	C	24	75	Tokyo	C	27	81
Budapest	F	19	66	Istanbul	F	28	82	Nice	S	24	75	Toronto	R	27	81
B. Aires	F	15	59	Jakarta	C	35	95	Nicosia	F	36	97	Tunis	F	23	73
Cairo	F	34	93	Jersey	S	18	64	Oporto	S	26	79	Valencia	F	24	75
Cape Town	S	21	70	Jo'burg	F	13	55	Oslo	F	16	61	Venice	S	21	70
Caracas	C	26	79	Lima	C	19	66	Paris	C	18	64	Vienna	C	18	64
Casablanca	S	28	82	Lisbon	F	27	81	Peking	S	26	79	Warsaw	C	17	63
Chicago	R	20	68	London	C	18	64	Prague	C	15	59	Washington	F	19	66
Cologne	C	15	59	Los Angeles	C	25	77	Reykjavik	C	08	46	Zurich	F	15	59
Copenhagen	C	15	59	Luxembourg	C	14	57								
Corfu	S	26	79	Madrid	S	22	72								
Dallas	C	27	81	Majorca	F	24	75								
Dublin	C	11	52	Malaga	S	25	77								

Readings at mid-day yesterday

C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Soviet system slips into chaos

Continued from Page 1

20 per cent of the manufacturers intended to cut production between 15 and 30 per cent.

"Do we have to elaborate the fact that this one-sided rejection of state contract agreements and the violation of industrial connections can bring unforetold consequences?" he said.

Gosplan, Gossnab and the fragmented array of ministries which represent every sector of industry have now been told to produce compatible targets.

Polish Government gives in to calls for resignation

By Christopher Bobinski in Warsaw

MR Zbiegniew Messner, Poland's Prime Minister who has come under fire for mismanaging the economy, yesterday offered his Government's resignation to Parliament.

The move came in a short speech, following a report by Parliament's economic reform committee, which had been charged with examining the Government's record after strikes flared up last month.

The Government's fate was apparently decided at a Communist Party Politburo meeting last Saturday. Previously, the official OPZZ trade unions had called for Mr Messner's resignation.

The parliamentary committee concluded that progress on reforming the economy had been "minimal" and that "significant" changes in the government were necessary if reform policies were to gain credibility in the eyes of the population.

It also recommended that more members of the subordinate Peasant and Democratic parties be brought into the Government, as well as non-party members of independent views who had criticised official policies.

It is expected that the deputies will accept Mr Messner's resignation and he will be asked to carry on with his duties in a caretaker role until at least the beginning of next week.

Then a Communist Party central committee meeting is to agree on a new candidate for prime minister, who will be presented for approval to Parliament soon after.

In his speech, Mr Messner defended his record on economic reform, explaining that the process took time and that the country was merely at the start.


A grim-faced Zbiegniew Messner prepares to submit his government's resignation to parliament yesterday

Economic failures had come where the Government had given into pressure from particular lobbies and interest groups and had not followed the national interest.

"Governments come and go but the problems remain," he said.

The small Democratic Party was the most forthright in the debate in its criticism of the Government, while the Peasant Party was more restrained. Both risk losing seats in Parliament if the ruling Communists go ahead, as they promised to, with plans to bring members of the Solidarity opposition into a new Parliament due to be elected next year.

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

Green light for German bonds

It is the most important liberalisation of the German government debt market since foreign banks were allowed into the federal debt consortium in mid-1986. Yesterday, the German Finance Ministry gave non-residents the green light to buy Bundesobligationen (Federal Bonds) from the beginning of next month. The move now focuses attention on the other types of government debt that may be liberalised to allow foreign purchases. Page 32

US machine tools industry moves back into gear

After many years of decline, the US machine tool industry is moving back into gear. New orders during the first seven months of the year have surged 82 per cent as domestic manufacturing industry has speeded up a huge reinvestment programme. Voluntary import restraint by some foreign competitors and the strength of the yen have also helped. The long overdue recovery, however, may prove shortlived. Page 26

Builders' merchants do battle

A round of restructuring is under way in the traditionally staid world of British builders' merchanting. The current three-way takeover battle involving Sandell Perkins, Travis & Arnold and Meyer International will lead to a further concentration of the market – worth some £5.5bn ($9bn) a year – in the hands of a few large players. Philip Coggan examines the forces at work. Page 35

Turbulent times for cocoa

The collapse of weekend talks at the International Cocoa Organisation has opened the way for further falls in the price of cocoa futures. Yesterday's near 13-year low is accompanied by forecasts of steeper declines by the end of the year while fresh production surpluses have done little to ease the internecine wrangling that has bedevilled the buffer stock system. David Blackwell in London looks at the issues confronting the world cocoa market. Page 48

Statoil struggles in deep water

Swamped in a sea of controversy since the huge cost overruns of its Mongstad refinery, Statoil faces a very uncertain future. Options include a break-up of the Norwegian state oil company or even a partial privatisation. Mr Harald Norvik, president of Statoil since January, is trying to safeguard the company's prospects by looking at overseas expansion, but he says: "We have to rethink our international strategy before we go further". Page 28

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				Colas	845	+	21
Rises				CFF	785	+	25
Dresdner Bk.	293	+	16.5	CPAO	1570	+	45
Mannesmann	181.5	+	8.5	**Falls**			
Commerzbank	245	+	6	Club Med.	422	–	13.5
MAN	216	+	5	Michelin	190.1	–	4.9
Lufthansa	145.8	+	3.5	**TOKYO (Yen)**			
NEW YORK ($)				**Rises**			
Rises				Toho Print	1300	+	140
Audio Visual	7 5/8	+	1 1/4	Taiko	1400	+	150
Chh Freedel	61 1/2	+	2 1/4	Kanagawa Chu	1650	+	150
CSX	30 1/2	+	3 5/8	**Falls**			
Falls				Bnk of Kyoto	1600	–	300
Cray Res.	74 3/8	–	1 1/4	Sankei Bldl	1500	–	130
Liggett	11	–	1 1/2	Nichiei	1180	–	100
Navistar	11	–	1				
PARIS (FFr)							
Rises							
Sorao	500	+	20				

New York prices at 12.30.

LONDON (Pence)				Stand.Chart.	525	+	8
Rises				Tate & Lyle	837	+	7
Associated Ind.	671	+	13	Thermal Scie.	215	+	92
BICC	347	+	17	Tinne Prods.	220	+	15
Comm.Union	334	+	8	**Falls**			
Crest Nichol.	197	+	10	Beltwan	57 1/2	–	4 1/2
Devenish(J.A.)	312	+	11	Brent Chems.	127	–	14
Eng.China Clay	464	+	8	Coats Viyella	178	–	21
Harland Simon	364	+	18	Courtaulds	283	–	12
Lloyds Bk.	283	+	7	Glaxo	998	–	20 1/2
Pearson	735	+	46	Local London	443	–	17
Pennant Props.	110	+	12	Tysons(Contr.)	48	–	11
Rand Grp.	105	+	21				
Spey.book	308	+	9				

£832m profit as Glaxo moves up sales league

By Peter Marsh in London

SIR PAUL Girolami, chairman of Glaxo, Britain's largest drugs company, yesterday unveiled a 12 per cent increase in pre-tax profits, and said "it is only a question of time" before the group tops the world league table for pharmaceutical sales.

Profits for the year to June 30 were £832m ($1.4bn). The result was broadly in line with analysts' expectations, and was achieved largely through strong sales of high-volume drugs such as the anti-ulcer formulation Zantac.

Another factor was a good performance by Glaxo's North American subsidiary.

Total sales for the year, up 18 per cent to £2.1bn, enabled the group to gain ground rapidly on its rivals. According to the company's figures, it is now the world's second biggest drugs concern, a position it shares with Switzerland's Ciba-Geigy.

Merck of the US holds top spot. But Sir Paul said he hoped Glaxo would soon reverse this position. This time last year the British group was placed sixth in the world, in terms of sales.

Earnings per share have climbed 15 per cent to 77.1p and a final dividend of 18p a share will lift the year's total payment from 19p to 25p.

Trading profit pushed ahead from £695m to £764m and the company's shares closed yesterday at 986p, down 17p.

Behind the performance over the year were strong sales of Glaxo's main products, including not only Zantac, which in July became the first drug to have annual sales exceeding £1bn, but Zinnat, an antibiotic, and Ventolin, which is used by asthmatics.

Glaxo had a particularly good 12 months in the US and Canada. In North America, sales leapt 26 per cent to £831m and the group is growing faster than virtually all its major US-based rivals.

Sales in the UK jumped 19 per cent to £277m, and revenues from the rest of Europe accounted for £660m, an 11 per cent increase. Good growth was seen in France and Spain. Japanese sales climbed 15 per cent to £176m.

The increase in turnover in many of these regions, as measured in local currencies, was above that recorded in terms of sterling, where the figures suffered as a result of currency fluctuations.

If exchange rates had remained at the level of last June, total sales in sterling for the year would have been £94m higher, corresponding to an overall increase of 24 per cent. Trading profit would have been £22m higher, equivalent to a rise of 13 per cent compared with the recorded improvement of 10 per cent.

Research and development spending during the year surged from £149m to £230m. Glaxo's expenditure in this area has been expanding rapidly, but Sir Paul said that the increase in the past 12 months was exceptional. Spending would continue to rise, he said, but at a slower rate. This year the R&D investment should amount to about £300m.

Despite the extra money being diverted to research, Glaxo is turning out profit at such a rate that its cash mountain is continuing to rise sharply. Net liquid funds amounted to £912m, an increase of £183m in the past year. The company plans to change its accounting rules to enable it to buy back some of its shares.

Sir Paul also said Glaxo did not rule out spending some of its cash pile on acquisitions. He doubted, however, that Glaxo would find a suitable company to purchase that fitted in with its strategy of concentrating on prescription-only products.

ENI holds talks on petroleum distribution joint venture

By Alan Friedman in Milan

ITALY'S ENI state energy group is holding talks with two or three of the world's leading oil producers which are aimed at achieving a joint venture accord in the downstream petroleum distribution sector.

Professor Franco Reviglio, the ENI chairman, has disclosed the existence of the negotiations, which are modelled on the agreement between Texaco of the US and Saudi Arabia earlier this year.

The idea is for an agreement under which the Italian company would assure itself of a multi-year supply of crude oil at stable prices in exchange for the sale of a minority shareholding in its main refinery company, Agip, to the oil-producing country.

Prof Reviglio has not stipulated with which nation ENI is talking. The company said yesterday that, while negotiations are under way, it could be several months before an accord is reached.

Agip is Italy's largest petrol company and together with its IP subsidiary controls around 14,000 stations up and down the Italian pensinsula.

Prof Reviglio also said yesterday that ENI aims to raise around L500bn ($357m) from the Italian equity market over the next three years.

"We want to bring on to the market all of the quotable companies," he said at the debut yesterday of the chemicals unit Enichem Agusta on the Milan bourse.

Prof Reviglio said the group was considering seeking a bourse listing for an unidentified oil production subsidiary, but he declined to give further details. He ruled out a listing for Agip.

Also, around 15 per cent of shares in the recently-formed chemicals joint venture between ENI and Montedison will be placed with foreign and domestic institutional investors by the end of 1988, Prof Reviglio said.

The stake would be worth around L600bn and the foreign placement would be guided by Goldman Sachs and Morgan Stanley Group, the two US brokerage hopuses.

Earlier this year ENI and Montedison agreed to merge most of their chemicals operations into a new company, dubbed Enimont by the press, beginning next January.

The two companies had said earlier this summer that they planned to place between 15 and 20 per cent of Enimont with private investors.

The new company will rank seventh or eighth globally with an estimated L13,000bn in turnover and gross profit of L1,000bn after the first year.

Japanese take tough action on insider dealing

By Stefan Wagstyl in Tokyo

DIRECTORS of publicly quoted Japanese companies will be obliged from next month to disclose dealings in their own companies' shares, in a tough new regulatory code announced by the Ministry of Finance.

The rules, which extend greatly the range of information companies will be required to publish, come into effect on October 1 as part of a package of measures taken to try to prevent insider dealing in Japan.

As well as disclosing directors' share dealings, companies will be required to issue statements when potentially market-sensitive decisions are made.

Corporate mergers and acquisitions, joint ventures, disposals, lawsuits, the reassignment of a chief executive or other board member are all to be covered by announcements.

The Japanese authorities and the securities industry are anxious to dispel the belief, common among foreign stockbrokers in Tokyo, that the new rules will have only a limited effect. Foreign brokers argue that insider trading will not be eliminated unless changes come about in a traditionally lax attitude to providing information.

Mr Setsuya Tabuchi, chairman of the Securities Dealers Association, said last week that to reduce the possibilities of insider trading still further Japanese companies should adopt the US pattern of reporting results quarterly instead of half-yearly.

He urged securities companies to learn from a recent case of insider dealing involving employees at Sankyo Seiki, a machinery company, and Nippon Steel.

Mr Noboru Takeshita, the Prime Minister, has backed calls for the creation of a securities watchdog modelled on the US Securities and Exchange Commission. He told a Parliamentary committee on Friday that it was time for Japan to consider the creation of such a body but did not elaborate.

Qantas 'preferred bidder' for Air NZ

By Terry Hall in Wellington

THE NEW ZEALAND Government yesterday named the Australian airline Qantas as its preferred bidder for a 25 per cent stake in Air New Zealand, the state flag carrier.

Mr Bill Jeffries, Aviation Minister, did not rule out prospects that rival bids would still be considered before the sale was finalised in mid-October. No price was disclosed.

The announcement surprised the New Zealand airline industry. British Airways (BA) had been widely considered the front-runner and was also known to be the preferred partner of management at Air NZ, which believed a BA link would lead to greater prospects for co-operation on routes in south-east Asia.

Mr Jack Scott, Air NZ's newly appointed chief executive, expressed astonishment at the news.

On Friday, BA representatives in New Zealand had expressed confidence that they would succeed. "We have a 60-40 chance against Qantas," one official said. Last night they said they were disappointed but good relations would continue. BA's latest negotiating team left Auckland two weeks ago.

Given the phrasing of the announcement, it is possible that the government is attempting to coax higher bids from other potential buyers – similar to the auction it conducted for Petrocorp, the energy company which was sold to the local Fletcher Challenge against a bid from British Gas.

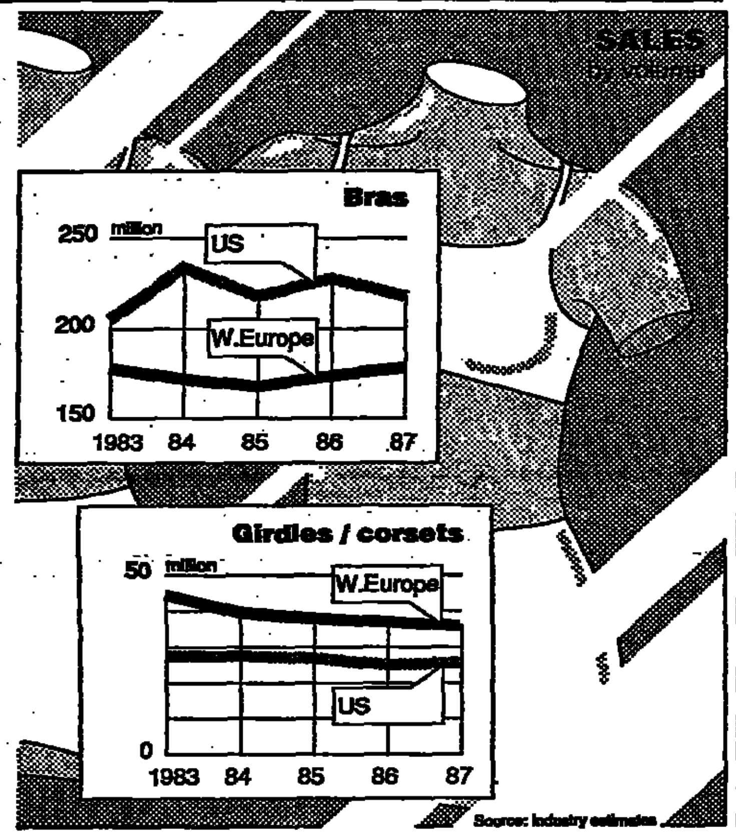
Mr Jeffries did not explain his reasons for preferring Qantas. However, it is known that the Australian Government has been lobbying strongly on its behalf, citing greater co-operation on the Closer Economic Relations pact between Australia and New Zealand, and the need for a strong regional airline on Asia-Pacific routes.

Mr Jeffries said the government would now enter a final round of negotiations with potential bidders to complete the deal. An offical of the state-owned Qantas said that it was pleased to be named front-runner and was awaiting further details.

The announcement also raises questions over the future of the remaining 75 per cent of Air NZ, which the government wants to sell as part of its privatisation programme. It is believed this will now be offered to the New Zealand public in a share flotation.

Mr Warren Cooper, the Opposition aviation spokesman, criticised the decision, saying preference should have gone to BA.

Good for the lingerie market: Dallas and Dynasty stars, Linda Gray (above) and Joan Collins



Putting the glamour back into lingerie

Plans to buy-out Playtex highlight a revival in sales of women's underwear, reports Alice Rawsthorn

EVEN Wall Street, accustomed though it is to swashbuckling corporate finance tactics, has been taken aback by last week's extraordinary announcement that the Playtex management team is to stage its second leveraged buy-out in as many years.

The story behind the buy-out is no less extraordinary. It is a tale starring Sue-Ellen Ewing and Alexis Carrington Colby, sirens of Dallas and Dynasty, the US television soap operas. For the sight of Sue-Ellen and Alexis, or rather of their lacy lingerie, on the world's television screens has been one of the chief catalysts for the recent revival in sales of women's underwear.

Playtex is one of the world's largest lingerie producers. The revival in sales has played an important part in its unexpectedly strong performance since the original buy-out in 1986.

The company has since seen sales and profits soar. It is thus able to bear an increased burden of debt. Once the $1.5bn buy-out is completed the management, under Mr Joel E. Smilow as chairman, will greatly increase their stake in the company, taking sole control of its underwear division and having a substantial holding in the personal products business.

In the 1970s the lingerie industry was in the doldrums. It suffered first from the demise of the girdle and then from a fall in bra sales, when the women's liberation movement pilloried the bra as a symbol of oppression.

Moreover, the major manufacturers in North America and Western Europe faced an influx of low-cost imports from the Far East and eastern Europe.

Imports have since captured a large part of the market for briefs and slips but the market leaders have maintained their dominance in bras. The bra is a complex product – where size and styling is critical – and the sophisticated production plants of the US and Western Europe have maintained a competitive advantage over emerging producers.

The world market today is dominated by Triumph International, the privately-owned Swiss company; Playtex and Warner, the giant US groups, which moved into Europe in the postwar years; and Wacoal of Japan.

All these companies have benefited from the recent revival as the influence of Dallas and Dynasty has encouraged women to buy more expensive lingerie. The bra market has stabilised in the US and returned to growth in Europe. The European market reached its nadir in 1985 but has since risen by 6 per cent to 179m bras.

There is also a parallel trend towards the sportier styles pioneered by Calvin Klein, the New York fashion designer. Triumph's biggest selling bra in Europe is now a sports bra. This trend has been accompanied by the fashion for new products like the "all-in-ones" body stocking or body shaper.

The body stocking first became popular in Italy four or five years ago and has since been introduced throughout Western Europe. It has yet to take off in North America but the European market has doubled in size to 5m units in the past two years.

These trends are partly driven by fashion and partly by the advances in textile technology that have enabled manufacturers to make innovations.

One of the most important developments has been the increased use of elastane fibres. These fibres have been blended with cotton to produce functional, fitted fabrics for "Calvin Klein" sporty styles. Elastane is also used in stretch laces. Du Pont, the US chemicals concern, is now investing $200m to boost production of Lycra, its market leading elastane fibre.

Even lace, the most traditional of lingerie fabrics, has been transformed by new technology with the introduction of computer-controlled machinery. In the past year Courtaulds, the giant UK textiles group, has bought a series of lace businesses – culminating in last month's $49m acquisition of Liberty Fabrics, one of the largest lace makers in the US.

In the meantime, the underwear producers have benefited from developments in computer-aided-design and computerised cutting. The consequent improvement in productivity, combined with the trend towards more expensive lingerie, has helped to boost profitability.

As a result the producers are expanding. Triumph, which ventured into the US in the early 1980s, is diversifying into Canada. Mr Günther Spiesshofer, president, has also begun negotiations to move into the Soviet Union.

Warners, a subsidiary of Warnaco, the US clothing group, intends to expand within Western Europe according to Mr C. Richard Sniveley, its chairman. It is increasing capacity at its production plant in Northern Ireland in order to strengthen its presence.

Mr Smilow says that Playtex is concentrating on new product development through its licensing agreements with fashion houses like Cacharel in Europe and Gitano in the US.

However, the most influential player in the future may well be Wacoal, the Japanese giant which recently moved into the US. Wacoal's US market share is still comparatively small and it has not yet ventured into Europe but its competitors are far from complacent.

As Mr Spiesshofer of Triumph put it: "We take the Japanese very, very seriously indeed. They are dangerous by nature and, as Wacoal expands internationally, we will all have to watch out."

CSX to focus on core interests after energy sale

By Roderick Oram in New York

CSX IS to sell its remaining energy assets as part of a move to sharpen its focus on its core railroad and shipping businesses. Shareholders will benefit through the company's purchase of up to 60m of its shares, representing about 38 per cent of CSX's common stock.

Shares rose $3⅝ to $30½ in early New York trading yesterday. Wall Street saw the plan as positive as CSX's stock has been trading well below its book value of about $32 a share.

The company, which operates the third largest US railroad and Sea-Land, a leading international container shipping line, will sell its natural gas transmission and natural gas liquids processing businesses.

The transmission system is the sixth largest in the US but its value is not immediately clear as it carries considerable "take-or-pay" liabilities and has not been performing particularly well.

Last year, the system had operating profits of $98m on revenues of $867m.

In April, CSX sold its oil and gas exploration development and production assets to Total, the French energy group, for $612m. It diversified into energy in 1983 with the $1.1bn purchase of Texas Gas Resources.

CSX is attempting to combine railroads, barge, and ocean traffic in a full service for customers. To that end, it purchased Sea-Land for $804m in 1986.

It is also bargaining intensively with its unions to win cost-saving changes in railroad labour practices. After an earlier attempt failed, it took a $778m write-off in this year's second quarter, mostly to pay for cuts of 8,200 of nearly 40,000 railroad jobs.

CSX also announced yesterday it would seek to "monetise the values inherent" in its resort properties.

The company generated operating earnings of $15m on revenues of $102m last year from resorts, including the Greenbrier, an old West Virginia country hotel.

Apple and Compaq reveal new models

By Louise Kehoe in San Francisco

APPLE COMPUTER and Compaq Computer both launched high-performance personal computers yesterday in an assault on IBM's stronghold in the corporate computing market.

Simultaneously, IBM, which has recently been losing ground in the personal computer market, announced the appointment of a new executive to head its personal systems operations.

Mr Richard T. Gerstner, who was formerly in charge of IBM's Asia/Pacific Group based in Tokyo, has been made general manager of the operations.

Apple's offering, the Macintosh IIx, extends the performance of earlier Macintosh computers with the use of a faster 32-bit Motorola microprocessor, the Motorola 68030.

An important feature of the Macintosh IIx is its ability to read and write data in IBM- and Apple II-compatible formats. This will make it easier to exchange information between different types of personal computer, which is particularly attractive to large corporate computer users.

Prices for the Macintosh IIx will range from $7,769 to $9,369.

Compaq's offering similarly extends both performance and compatibility. The Deskpro 386/20e is based on Intel's fastest 386 microprocessor, providing high-speed computing.

The system, which can be switched to slower speeds, will cost between $5,199 and $7,999.

Ambrands denies interest in Liggett

By James Buchan in New York

AMERICAN BRANDS, the diversified US cigarette producer, has vigorously dispelled speculation that it might seek to buy Liggett Group, its competitor at the lower end of the US tobacco industry.

Stock in Liggett, a small North Carolina producer once owned by Grand Metropolitan of the UK, tumbled 10 per cent in early trading yesterday morning in response to a contemptuous weekend denial of interest by Mr William Alley, Ambrands' chairman.

But Wall Street analysts say the shrinking US tobacco market, which is declining at about 2 per cent a year, could still force a shake-out among the weaker producers, such as Liggett and Ambrands.

Ambrands has already fought off one takeover bid this year by taking over the bidding company – the E-II industrial group – in a so-called "Pac-Man" defence.

The latest speculation was set off by Mr Bennett LeBow, a New York investor who bought Liggett from GrandMet and is the company's largest shareholder. Backed by Drexel Burnham Lambert, the Wall Street investment firm, he announced late on Thursday that he might seek to buy more than half of Ambrands.

Liggett is the weakest of the six US producers, with $531m in sales and 3 per cent of the market. Ambrands is the next smallest with a 7 per cent share and sales of $9.15bn.

Talks about combining the two tobacco operations broke down in the summer and Ambrands says the new approach by Mr LeBow is designed to intimidate it into buying the Liggett business through a Pac-Man defence.

Mr Alley said: "I'm not even sure I would take Liggett if they gave it to us."

Mr Alley also lashed out at Drexel Burnham, which was accused earlier this month of a host of violations of securities law by the Securities and Exchange Commission.

"I think Drexel has enough problems of its own and has no business interfering with the business of American Brands," he said.

US machine tool makers face uphill grind

Buoyant orders conceal underlying problems in the industry, writes Nick Garnett

US machine tool manufacturers exhibiting at the International Show in Chicago recently were in chirpy mood.

An 82 per cent rise in new orders for US-made machine tools in the first seven months of this year, against the same period last year, has pulled in about $2.06bn. Orders last year fell 23 per cent, following a decline of 12 per cent in 1986 order intake.

Mr Jim Gray, president of the US National Machine Tool Builders Association, says: "Any way you look at it, this year has been a turnround time for the US machine tool industry. American manufacturing is undergoing a long-awaited recovery."

However, in spite of the optimism, more deep-seated characteristics are affecting the industry. They could weaken further its position after many years of decline.

The ownership structure is still in turmoil. Japanese machine tool builders are setting up plants in the US at an increasing rate and finance groups using leveraged buyouts have created two mini-machine tool empires. In addition, there remains the problem of poor investment and weak financial performance of some of the larger groups.

On the face of it, though, something good seems to be happening to an industrial sector that has been punished mercilessly recently.

In the 1960s, US companies had one third of the Western world's machine tool market. Now it has a miserly 8 per cent.

A surge from the end of the 1970s of Japanese imports of computer-controlled lathes and machining centres, a strong dollar, the recession of the early 1980s and a disastrous record of investment have all conspired to kill off more than a third of the leading US equipment makers during the last 10 years.

This year's improved performance has come as a huge relief.

Warner & Swasey, part of the Cross and Trecker Group, is doing strong business with its new US-made Titan lathe. Cincinnati Milacron, one of America's biggest machine tool companies which took a $79m loss last year largely because of restructuring costs, is now back in the black. It reported $14.7m profits for the first half of this year.

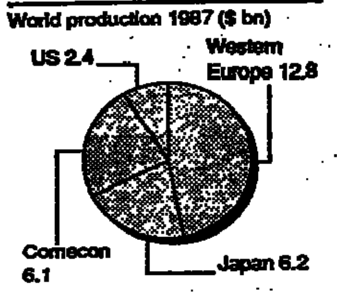
Ingersoll and the Lamb division of Litton Industries, two big suppliers of special transfer line equipment for the automotive industry, have large order backlogs.

Hardinge, a maker of high-precision lathes with sales last year of $88m, has been selling machines as fast as it can make them.

Part of the reason for the upturn is a reinvestment programme by US manufacturing industry, particularly the vehicle makers. Some of it is also related to voluntary restraint agreements (VRAs) fixed in January 1987. Largely aimed at Japanese and other Far Eastern producers, the agreements were designed to cut imports to 1981 levels for certain machines.

Metal working machine tools

World production 1987 ($ bn)



Source: National Associations and European machine tool builders federation

VRAs and the impact of the yen are continuing to have an effect. For example, Wiedemann and Strippit, two metal-forming equipment makers, are among several companies drastically reducing the importation of machines from Japan which they once rebadged with their own names. These machines are now being made in the US.

In spite of all this, however, the US machine tool industry remains unsettled.

Six Japanese machine tool makers – Hitachi Seiki, Toyoda, Okuma, Yamasaki, Makino and Amada – have either announced plans in the past 18 months to expand their production facilities in the US or build new ones. Some have already completed their plans.

To an extent the Japanese are giving back to the US part of the machine tool industry they did so much to wreck. But these "transplants" could have a serious impact on domestic builders.

There has also been a great deal of reshuffling in the industry's ownership structure.

After surviving the recession, many of the bigger US groups have pulled out of the business.

Since the start of 1986, Textron has sold its Bridgeport and Ex-Cell-O business to management. Ex-Cell-O operations in the US have subsequently concentrated in West Germany. White Consolidated has disposed of it businesses and the DeVlieg family has sold its jig mill concern.

Two finance groups in the north east, run by men with no machine tool background, have pulled off large leveraged buyouts and put together two large groupings of machine tool names.

One investment group has pieced together a mini-empire including Bryant, a grinding machine company purchased from Ex-Cell-O, Fellows Gear Shaper, purchased from Emhardt, and Jones and Lampson, a turning machine producer which was owned by Textron.

The other group, Stanwich Partners, an investment banking firm in Stamford, Connecticut, has bought Universal Engineering from Houdaille Industries and three former White Consolidated businesses.

Mr Laurence DeFrance, president of Stanwich's industrial operations, believes these are "good value" investments. But many managers say leveraged buyouts are unsuitable for an industry that needs regular investment to survive wildly fluctuating demand cycles.

Fundamental problems within the industry include imports into the US which 15 years ago totalled only 10 per cent of consumption. But they have been rising and for the first six months of this year were about 55 per cent. Last year's US trade deficit in machine tools was $1.4bn.

In addition, many US builders have made little money in recent years. Cross and Trecker, one of the biggest US machine tool companies with total sales of $420m last year, made a $24m loss in 1987 and will report next month another loss of between $10m and $12m.

Few US companies are investing in new plants or introducing new computer-controlled products. Yamasaki's $5m technical centre, which has just opened near Chicago, is larger than any installed by a US machine tool builder.

Finally the Japanese, West Germans and other European producers are mounting new export drives in the US for machine types not covered by voluntary restraint. This thrust covers, among other equipment, grinding machines and special purpose machines for the automotive industry.

Campeau gets UK store offer

By David Owen in Toronto

CAMPEAU, the fast-growing Canadian property and retailing group controlled by the flamboyant French-Canadian Mr Robert Campeau, has received an offer from an unnamed British group to establish a Bloomingdale's department store in London.

Campeau acquired Bloomingdale's along with other Federated Department Stores divisions for US$6.64bn in April after a bitter 10-week takeover battle.

The purchase came little more than a year after the Toronto-based company bought Allied Stores, another leading US retailing chain.

In Montreal at a meeting of the Canadian Chamber of Commerce, Mr Campeau said the British group had offered to pay all costs but would allow Campeau to retain majority ownership of the outlet.

Campeau plans to double Bloomingdale's sales within the next six years, partly by opening new stores in California, Florida, the US Midwest and Canada.

Mr Campeau, whose companies have amassed a mountain of debt as a result of his two US stores acquisitions, took advantage of the occasion to endorse the still unratified US-Canada free trade agreement and to lecture Mr Brian Mulroney, the Canadian Prime Minister, on the necessity of cutting the Canadian budget deficit.

Federated and Allied have had their problems in recent months, reporting combined second-quarter losses of US$207m in what Mr Campeau described as "difficult" retailing conditions.

However, Mr Campeau foresees a significant upturn in both divisions' sales this autumn as management will be able to devote more attention to merchandising, following the completion of sweeping reorganisations.

Shareholder group seeks to raise stake in AMI

MR RICHARD Rainwater, part of a shareholder group including the Fort Worth-based Investment Limited Partnership, has filed with federal antitrust regulators for clearance to buy up to 14.9 per cent of American Medical International's common stock, Reuter reports.

The shareholder group now holds 5,396,409 common shares in the US hospital management company, or 7.3 per cent of the total outstanding.

In a filing with the Securities and Exchange Commission, Mr Rainwater said he applied for the clearance on September 16 under the Hart-Scott-Rodino Antitrust Improvements Act.

The waiting period for clearance is set to expire on October 13 unless regulators grant early termination.

The group told the SEC it had no plans to seek control of AMI. Along with other principal AMI shareholders, it sought the resignation of Mr W. Weisman as AMI chairman. Mr Weisman resigned on August 30.

AMI operates a chain of 107 acute care hospitals in some 16 states and several foreign countries. It also provides contract management services.

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JPMorgan

INTERNATIONAL COMPANIES AND FINANCE

Norway faces up to troubled waters lapping Statoil

Steven Butler and **Karen Fossli** on radical proposals for the state oil company after a year of turmoil

Statoil, the Norwegian state oil company, faces a critical test this autumn when its future is debated in the Norwegian parliament, where proposals have already been raised that range from splitting up the group to selling part of it to the public.

The proposals for radical change follow a year in which Statoil has found itself swamped in the sort of turmoil that has sunk many a private company.

The troubles began with a cost overrun of colossal proportions on the expansion and upgrading of Statoil's Mongstad refinery and the company's subsequent handling of the affair. The overrun of NKr6.6bn ($952m) amounted to about $225 for everyone in the country and exceeded Statoil's entire equity capital by 27 per cent.

The project is unlikely ever to show a profit and the entire top management of the company was swept out to be replaced by a set of new brooms.

Statoil reported a loss of NKr1.5bn for 1987 and between weak oil prices and continued writedowns for the Mongstad project the outlook is dismal for the next few years. Now Statoil is gently approaching the government with palms outstretched for what amounts to a capital injection.

The series of events has raised broad questions about Statoil's competence to handle complex technological projects and has cast a doubt on its ability to function as a commercially-oriented business, in which normal considerations of profit and growth, rather than political goals, determine what the company does.

The decision to expand Mongstad, for example, was made when every other refiner in Europe was seeking ways to reduce capacity and to cut losses.

Norway has discovered over the past year that oil is a high-risk business, not only because oil prices fluctuate wildly but because management makes a critical difference in the ability of a company to function effectively in radically changing economic environments.

It is a question to which Mr Harald Norvik, Statoil's new president, appointed in January, has given considerable thought. Mr Norvik came to Statoil after seven years as a senior executive of Aker, the industrial group, and before that he was in politics, serving as personal secretary to a Labour Prime Minister and as State Secretary for Oil and Energy.

One of his first acts at Statoil was to institute a sweeping reorganisation of the company into three divisions, exploration and production, marketing and refining, and petrochemicals.

Alan Harper

Harald Norvik: rethinking Statoil's international strategy

By grouping activities in this fashion it is possible to relate capital expense directly to income. Previously, for example, Statoil operated a projects division that spent money on all parts of the business but was not specifically tied to profits in them.

Beyond these relatively straightforward changes, however, Statoil's capital and ownership structures have come under increasing scrutiny. The underlying question is whether the Government will give Statoil the support and allow it the freedom to operate independently.

In past years, Statoil was a highly productive cash cow that the state milked heavily to pay for government expenditures. It kept a tight rein on the company, with critical management policies – such as whether Statoil could borrow overseas, expand internationally or hold big portions of Norway's oil exploration licences – changing when a new government took power. Acquisitions, by custom if not by law, were approved by vote in parliament after debate.

This year, however, the milk ran dry and it is ever more clear that Statoil cannot continue to contribute such a high proportion of its net earnings – 76 per cent in 1986 – to the state by way of dividend payments.

Statoil's gearing, the ratio of gross debt to total capital, stood at 88 per cent at the latest reading. This is down from 93 per cent at the end of 1987 but is likely to rise by the end of the year when the company makes further provisions for the Mongstad refinery.

This gives the company an extremely thin equity base on which to build, although its backing by the Government and its strong cash flow are likely to keep it from serious danger. Last week's sale to Conoco Norway of a 1 per cent stake in the Statpipe gas pipeline will raise a much-needed NKr300m.

Its goal is to lower its gearing to 75 per cent and Statoil has raised the possibility of converting a government loan to a subordinated loan, the capital of which will not have to be repaid, thus allowing for it be accounted as equity.

This, however, can only be done if the Government decides that Statoil is worth backing as a growth venture.

One alternative might be to dump Statoil on to the Norwegian capital markets. The problem is that it would overwhelm them. Last year Statoil accounted for more than 10 per cent of Norway's gross national product.

Partial privatisation is an obvious alternative but even this would presuppose that a new concensus had been reached on Statoil's broad direction of development.

Statoil was established by an act of parliament in 1972 and charged with developing Norway's energy resources. From the middle of the next decade, however, Statoil's oil production will start to decline quickly – the latest government projections on the prospects of finding large new deposits of crude oil are pessimistic.

To keep the business from shrinking, Statoil must expand overseas and find new areas of oil exploration, it is hoped in areas where oil is cheaper to produce than the Norwegian continental shelf.

This is quite clearly the direction that Mr Norvik would like to take the company.

He said: "We have to be a company with production and downstream activities in many countries. We have expanded slowly internationally and for the time being we are not expanding at all but this is not because we are not going to be a more internationally-oriented company. We have to rethink the international strategy before we go further."

Before that can be accomplished effectively, Mr Norvik wants to establish a different sort of relationship with its owners, one that has greater resemblance to relationships between companies and shareholders in the private sector.

It is a difficult political argument: that a company that has erred badly needs more financial support and autonomy. Yet it is probably the only sensible route if Statoil is to gear up to compete on a level field internationally.

Mr Norvik said: "It would be strange to me if we in Norway concluded that it is impossible for the state to be a good owner. The problem is connected more with how the state acts as owner."

Oslo moves to save Sunnmoersbanken

By Karen Fossli in Oslo

NORWAY'S Central Bank and the Guarantee Fund of the Commercial Banks yesterday intervened as lenders of last resort to Sunnmoersbanken, a medium-sized Norwegian bank, which after two failed rescue attempts is expected this year to become insolvent.

The Banking, Securities, Insurance and Exchange Commission began meetings yesterday to make recommendations on the composition of a new board for the bank.

The board is to be appointed by the shareholders, the Ministry of Finance and the bank's employees and its mandate will be to decide effective liquidation of the bank if a buyer cannot be secured. It is likely to comprise representatives from the Central Bank, the Guarantee Fund and members of Norway's banking community.

Sunnmoersbanken, which is no longer able to meet the capital requirement – NKr210m ($30.4m), in its case – needed to remain a bank, has also failed to find another bank willing to come to its rescue.

The intervention announcement comes at a time of general unease among the international banking community about the health of Norway's banking system. Last year, Norway's commercial banks experienced record losses of NKr3bn and it has been forecast that losses this year could be even greater.

According to a joint statement issued by the Central Bank and the commission, the Board of the Guarantee Fund is "to provide a guarantee for Sunnmoersbanken's liabilities vis-a-vis depositors and other creditors." It added that the Central Bank will furnish Sunnmoersbanken with the necessary liquidity support.

Earlier this year, Moere Bank, a medium-sized savings bank, made a conditional offer to buy Sunnmoersbanken for NKr140 per share but the deal floundered.

Last week Christiania Bank, Norway's second-largest bank, appointed a team of analysts to decide if there could be scope for a merger with Sunnmoersbanken but yesterday's joint statement made clear that this was not feasible.

Sunnmoersbanken has a total liability of NKr9bn. Its liquidity problems stem from losses on loans from the petroleum sector, shipping and shipyards and fish farming. In 1987 the bank suffered losses of NKr179.9m compared with profits in 1986 of NKr11.1m.

Ahold lifts earnings by 12.1%

By Our Financial Staff

AHOLD, the largest Dutch supermarket chain, has reported a 12.1 per cent rise in second-quarter net profits and said it expected its 1988 net profit to be slightly higher than the Fl 131.2m ($62m) it earned in 1987.

Ahold said that second-quarter net profits were Fl 30.1m, up from Fl 26.9m in the same period last year, but noted that the consolidation of US store chain First National Supermarkets (FNS) from January 29 had flattered the 1988 figures.

The company maintained its interim dividend at 80 cents or 5 US cents.

Ahold said its improved profit was mainly because of better operating results and a lower tax burden. Financing charges were up, however, to Fl 19.8m from Fl 7.7m as the result of investments.

In the Netherlands, sales increased slightly to Fl 1.93bn from Fl 1.76bn. In the US, sales rose to $850.1m from $413.7m, mainly due to the FNS consolidation.

Ahold said its acquisition of a 45 per cent stake in Schuitema, the largest Dutch supplier to independent Dutch grocers, bringing its total holding to 55 per cent, would have a marked positive contribution.

The company noted the depreciation of goodwill after recent takeovers but said its solvency and liquidity ratios were still satisfactory.

Pillsbury sell-off

By Our Financial Staff

PILLSBURY, the US foods group which includes the Burger King restaurants, is selling its 580-strong Godfather's Pizza chain to a buyout group led by management for undisclosed terms.

It had announced that it was seeking to sell the restaurants, which it bought three years ago for about $400m, in March and at that time it had warned that the sale of Godfather's would generate net charges of $141m in the third quarter.

The group in the year to May 31 saw net earnings fall to $69m or 81 cents a share from $182m or $2.10 the previous year. This month, Mr Philip Smith, the company's new chairman and president, said that he expected first quarter results to be "virtually flat on an operating basis".

Mr Smith, the former chief executive of General Foods, had been appointed earlier this year to end months of management turmoil at Pillsbury

Swiss to co-ordinate share deal controls

By John Wicks in Zurich

SWISS stock markets are planning a number of co-ordinated measures aimed at improving information about trading flows.

According to the Association of Swiss Stock Exchanges, the plan includes the standardised introduction of a 30-minute suspension in trading in the case of price fluctuations of 10 per cent or more.

When it comes to what the association describes as special situations, this rule may be adapted to raise the fluctuation limit to 20 per cent, plus a corresponding extension of the suspension period to one hour.

Among other improvements proposed are better terminal information on trading suspensions and a co-ordination of the stock exchanges' trading hours and the order in which stocks are traded. The Zurich, Basle and Geneva stock exchanges have said they will extend their trading hours from early November.

The association calls for a concentration of efforts ahead of the creation of a single European Community market by 1992, a move which the Swiss see as spurring further the trend to deregulation of Europe's bourses.

This will involve the expansion of the management and administration of the association, while the individual stock exchanges will remain independent entities.

The association, to which the three leading exchanges of Zurich, Geneva and Basle belong, intends to start publishing the daily volume of transactions in each share in a move intended to improve stock market transparency.

This could be in force by the first quarter of 1989.

Development work on a computer-aided trading system is under way but is taking longer to realise than had originally been expected.

Swiss bourses are administered partly by the cantons and partly by private bodies of members.

N Flinders launches A$265m bids

By Bruce Jacques in Sydney

ADELAIDE-BASED North Flinders Mines has started what could be one of the Australian gold industry's most complex corporate battles by launching simultaneous bids worth about A$265m (US$211.3m) for two other gold miners.

As the bullion price slipped yesterday to its lowest level since early 1987, North Flinders announced a A$162m share-swap offer for Paringa Mining and Exploration and a A$106m cash offer for Australian Development (ADL).

The bids put the group at odds with Poseidon and Hartogen Energy, two other resources groups which are seeking control of Paringa. Hartogen and its Genoa Resources affiliate last week announced a A$137m deal to buy the controlling 54 per cent stake held in Paringa by Australian Gas Light Company, itself a major shareholder in Hartogen.

Because Paringa is formally UK-domiciled, the purchase does not require the Hartogen group to make a full bid for the company at an equivalent price, which would amount to about A$3.12 a share.

Poseidon had earlier launched its own full bid for Paringa at A$1.68 cash a share. The company also already owns 55 per cent of ADL, and can thus determine the success of North Flinders' proposed bid for the company. To deepen the intrigue further, Paringa owns 49 per cent of North Flinders, which in turn owns 10 per cent of Paringa.

This means North Flinders is taking the unusual step of virtually bidding for its parent. It is clearly doing so to avoid being swallowed into the Hartogen-Genoa group.

Mr Geoff Stewart, North Flinders' managing director, confirmed as much yesterday when he revealed his company had just rejected a Hartogen-Genoa proposal to appoint four directors to its board. He said Genoa had only paid a deposit of A$13m for the Paringa stake and Genoa shareholders were yet to approve the deal.

"There remains considerable legal doubt as to the validity of the sale of the Paringa shares and the transaction between Genoa and Hartogen," he said.

North Flinders plans to offer two of its shares for every seven Paringa shares and at last night's close of just under A$7 for the bidder's scrip, this values Paringa at A$1.97 a share.

North Flinders has also announced a A$160m rights issue to help fund the proposed ADL bid. The company will issue 124m shares and the same number of attached options in the ratio of two-for-three. The shares will be issued at A$5.50 and the options at A$1 each. The ADL bid is A$2.75 cash a share compared with last night's market close of A$2.40.

Mr Robert de Crespigny, Poseidon managing director, last night indicated an open attitude to North Flinders' moves, describing them as a logical rationalisation. He described the offers as "fair, but not excellent" and said his board would decide on acceptance in about a week. But he said Poseidon was a buyer rather than a seller of assets, as demonstrated by its recent takeover of Anglo American Pacific, local arm of the South African-based Anglo American mining house.

Acer to float NT$1.06bn shares

By John Elliott in Taipei

ACER, Taiwan's largest computer company and one of the five biggest suppliers of personal computers in the US, is to issue its first public offering of shares in November with a NT$1.06bn (US$35.6m) flotation.

The issue comes at a time when the Taipei stock market is buoyant.

The shares being offered, priced at NT$47, are currently held by Mr Stan Shih, the founder chairman, and several hundred employees, whose 70 per cent holding in the company is coming down to 60 per cent.

The other 30 per cent is owned by international institutions including Chase Manhattan, Citicorp, Prudential Insurance of America, Hambrecht & Quist, and Sumitomo Corporation, which together injected US$16m at the end of last year.

The new funds are being used to finance a rapid expansion of the 12-year-old company which aims to boost sales from last year's total of US$331.2m to $550m this year, $1bn by 1990, and $3bn by 1995.

Last year Acer, which was formerly known as Multitech, produced 260,000 personal computer units, plus other computer products, and is aiming for 450,000 this year.

It is the largest of Taiwan's total of about 300 personal computer companies with 13 per cent of the domestic market measured in terms of units.

About 85 per cent of production is exported. Of these overseas sales, some 40 per cent are to major international companies such as Siemens, Fujitsu, Canon and Philips for selling under their own brand names.

Acer's group assets total US$267.28m and there are 4,400 employees.

Group earnings for the first half of 1988 are estimated at $12.06m before tax, 144 per cent up on the same period last year, with consolidated sales of $237.6m.

The flotation is being planned at a time when Taipei's volatile stock market has been rising rapidly, despite some recent setbacks. Its 144 listed companies and 29.9bn shares with a total market value of NT$4bn are not enough to absorb surplus cash from Taiwan's booming economy, and the government wants to encourage flotations to provide the market with greater depth.

FAI quits Ariadne board as Judge stake part-paid

By Our Sydney Correspondent

MR LARRY Adler's FAI Insurances has confirmed receipt of a A$30m (US$23.9m) part payment for the 19.9 per cent interest in Ariadne Australia, a casualty of the October crash, which it has agreed to sell to Magenta Holdings, the new vehicle of Mr Bruce Judge, deposed Ariadne chairman.

In what amounted to a reshuffling of earlier arrangements, Mr Adler said the rest of the A$50m installment from Magenta, all of which was originally due by today, would be paid within 30 days and would carry interest at an annual rate of 12 per cent.

The FAI statement also confirmed that Mr Bruce Corlett, the chairman of Ariadne, and two other FAI representatives, Sir William Keays and Mr Rodney Adler, would resign from the Ariadne board.

Following these resignations the National Companies and Securities Commission, Australia's corporate watchdog, has said it will take no action in the Ariadne saga. This has so far seen almost 40 per cent of the company's shares change hands at prices of 50 cents or better while the market price has been between 17 cents and 21 cents a share. The commission warned that it would closely monitor any asset sales or further board moves.

Magenta is 25 per cent owned by Mr Judge and has already paid a non-refundable cash deposit of A$4.7m to FAI for its Ariadne stake.

Mr Rodney Adler said yesterday the Ariadne board had made no decision yet on proposed asset sales. EIE Development, a Japanese property group, is seeking to buy Ariadne's leisure resort at Sanctuary Cove in Queensland, for which the Suntory drinks group is also said to be a possible bidder. Pacific Dunlop, the Melbourne company, is interested in Ariadne's Repco automotive parts division.

Repco and the Sanctuary Cove site are two of the main operating units which have been retained by Ariadne, an investment company which was forced to make large-scale write-offs after the crash.

Fifth record year for Pacific Dunlop

By Chris Sherwell in Melbourne

PACIFIC DUNLOP, the Australian manufacturing and distribution multinational, yesterday reported a fifth successive year of record revenues and earnings.

The group, known as much for its condoms and car batteries as its tyres and tennis racquets, announced a 32.4 per cent gain in after-tax profits for the year to June, to A$185.9m (US$148.2m). Sales were up 36.4 per cent to A$3.6bn.

Directors declared a final dividend of 7.5 cents for a total of 14.5 cents, up by 1 cent on increased capital.

Asked about the outlook for the current year, Mr Philip Brass, managing director since January, said above-average earnings rises would be sustained. But he quoted his predecessor, Mr John Gough, in acknowledging the difficulty of maintaining "ambitious" 30 per cent increases on an ever-larger base of operations.

Two hopes for the future are the Switch car battery, with its novel back-up source of power if the main battery goes flat, and the newly acquired Nucleus group, which makes heart pacemakers and bionic ears to help the deaf.

More generally the group is looking increasingly to its rapid expansion abroad as a source of growth. International operations are now responsible for 33.9 per cent of sales and 34.2 per cent of its operating profit before tax and interest.

At A$339m, this operating figure climbed above A$300m for the first time, and a breakdown shows improvements across all divisions except tyres, although that too was better than expected.

In latex products, where the group's Ansell International leads the world in the manufacture, marketing and distribution of condoms and rubber gloves, earnings before interest and tax increased by a third to A$57m. Largely because of the worldwide AIDS scare, all plants were operating at full capacity.

The biggest transformation in performance came in the batteries division, where last October's acquisition of the GNB battery business in the US has made Pacific Dunlop a world leader. Earnings rose to A$55m from just A$1m a year earlier.

Three other divisions – consumer goods, electrical products and industrial products – all showed healthy increases, but the tyre side reported profits of A$33m, down from A$40m, on sales which were 11.6 per cent weaker at A$491m.

An extraordinary write-off of A$228.2m was made, springing chiefly from payments for goodwill, trademarks and patents following the acquisitions of GNB and the clothing group Bonds Coats Patons. In 1986-87, A$38.2m was charged.

Directors also reported a sharp rise in the group's gearing ratio (net interest-bearing borrowings to shareholders' funds) to 29.3 per cent, up from 8.5 per cent. But they said the present level was lower than in the previous two years.

Extracts from the Chairman's Statements

RAND MINES

BLYVOORUITZICHT GOLD MINING COMPANY, LIMITED
Registration number 05/07343/06

HARMONY GOLD MINING COMPANY LIMITED
Registration number 05/38232/06
(Both companies incorporated in the Republic of South Africa)

"I sincerely hope that neither the Committees nor the unions will hinder the industry in making full use of its manpower resources in filling the many vacancies which exist in the skilled ranks."

Gold

Gold prices were steady in most major currencies during the year. Strong physical demand from Japan, as well as Taiwan and other Far Eastern countries, was the main support for the gold price amid very significant and active gold loan business which increased supplies to the market.

The economies of the world's leading nations continue to experience strong growth and the probability of an imminent recession, strongly suggested in certain quarters after the October 1987 stock market crash, is diminishing. Inflation is rising but not fast enough to arouse any great enthusiasm for gold. The U.S. dollar has strengthened of late in line with increased interest rates, militating against the holding of gold or equity-type investments. The short-term prospects for gold certainly look muted but the re-emergence of higher inflation, increased economic uncertainty, financial market instability and foreign exchange market volatility will once more focus on gold's role as a store of value and a form of insurance against crises and uncertainty.

South Africa is experiencing a high rate of inflation and a drop in the value of its currency. The rand has weakened considerably in the past few months and is likely to continue its downward path in the foreseeable future, with rising interest rates providing the brake on the speed of decline.

Uranium

Existing U.S. protectionist legislation coupled with the effects of economic sanctions against South Africa, could result in a fall of about 13 per cent in Harmony's sales tonnage in 1989. Due to the lower sales volumes predicted and the mine's position as a high cost producer, the continued operation of its remaining uranium oxide plant is being investigated.

Industrial relations

The 1987 wage negotiations between the Chamber of Mines and the National Union of Mineworkers ended in dispute and triggered a three-week strike by a large proportion of the industry's work-force. It was gratifying that the enormous effort put into forging sound industrial relations at the mines over the past few years by both management and workers bore fruit as production was completely unaffected.

The removal of the last remnant of statutory job reservation contained in the Mines and Works Act (the "scheduled person" definition) has been pursued for several years. This inhibiting legislation, which prevented blacks from holding certain certificates of competency, has very recently been amended. The new regulations call for the establishment of Advisory Committees to examine and report on training needs and the minimum educational qualifications for certain certificates of competency. In addition, changes in work practices are being negotiated with the white trade unions. I sincerely hope that neither the Committees nor the unions will hinder the industry in making full use of its manpower resources in filling the many vacancies which exist in the skilled ranks.

Blyvooruitzicht Gold Mining Company, Limited

	Year ended 30 June 1988	1987	% Change
OPERATING RESULTS			
Tons milled	2 255 000	2 264 000	– 0,4
Gold produced – kilograms	11 218	12 519	–10,4
Yield – grams per ton milled	4,98	5,53	– 9,9
Working expenditure – per ton milled	R113,51	R97,67	+16,2
Working expenditure – per kilogram sold	R22 817	R17 663	+29,2
GOLD PRICE RECEIVED			
Per kilogram	R30 708	R29 221	+ 5,1
FINANCIAL RESULTS	R000's	R000's	
Working revenue	344 486	365 821	– 5,8
Working expenditure	255 964	221 122	+15,8
Working profit	88 522	144 699	–38,8
Taxation	38 463	78 391	–50,9
Profit before appropriations	54 400	67 324	–19,2
Appropriations for net expenditure on mining assets	20 102	19 518	+ 3,0
Earnings – cents per share	143	199	–28,1
Dividends – cents per share	150	206	–28,8

Outlook

For the coming year the tonnage treated will remain at the present level but grade will decline in line with the increased mining of the lower grade Main Reef. Capital expenditure is estimated at R21,2 million and will be incurred principally on Main Reef development and exploration, rapid yielding hydraulic props and accessories and reeting the two shaft pumps and settlers at A3 shaft.

As a result of the drop in grade, I expect the dividend to decrease to approximately 100 cents per share for the financial year provided an average gold price of R34 000 per kilogram is realised.

Harmony Gold Mining Company Limited

	Year ended 30 June 1988	1987	% Change
OPERATING RESULTS			
Ore milled – tons	9 157 000	8 693 000	+ 5
Gold: produced – kilograms	26 752	28 361	– 6
yield – grams per ton milled	2,92	3,26	–10
Uranium: slime treated – tons	2 965 000	3 678 000	–19
yield – kilograms per ton of slime treated	0,050	0,061	–18
Pyrite: concentrate recovered – tons	64 774	85 069	–24
Sulphuric acid: produced – tons	65 968	97 057	–32
Total revenue per ton milled	R94,53	R99,19	– 5
Total cost per ton milled	R87,76	R77,72	+13
Working profit per ton milled	R6,77	R21,47	–68
GOLD PRICE RECEIVED			
Per kilogram	R30 337	R28 989	+ 6
FINANCIAL RESULTS	R000's	R000's	
Total revenue	865 612	862 265	
Gold and silver	824 960	822 169	
Uranium, pyrite and sulphuric acid	40 652	40 096	
Costs	803 639	675 646	
Working profit	61 973	186 619	
Interest received	10 470	13 553	
Profit before taxation and State's share of profit	72 443	200 172	
Taxation and State's share of profit	5 146	6 566	
Profit after taxation and State's share of profit	67 297	193 606	
Appropriations for net expenditure on mining assets	52 563	137 514	
Profit after taxation and appropriations	14 734	56 092	
Dividends	30 917	57 802	
	(16 183)	(1 710)	
Retained deficit for the year	(16 183)	(1 710)	
Dividends – cents per share	115	215	

Outlook

Additional development on leader reef and the use of sedimentological techniques have enabled the mine to more clearly delineate pay ore reserves on this reef and the grade should remain around the present levels. The tonnage milled is steadily increasing and, providing the present discussions and negotiations on the granting of blasting certificates to blacks can be expeditiously concluded, the capacities of the metallurgical plants will be tested in the not too distant future.

The annual financial statements and chairman's statements may be obtained from Hill Samuel Registrars Limited, 6 Greencoat Place, London, SW1P 1PL.

Members of the Barlow Rand Group

Sino Land lifts after-tax profits to HK$325m

By Michael Marray in Hong Kong

SINO LAND, the Hong Kong property development and investment company controlled by the Ng family, yesterday reported after-tax profits of HK$325.2m (US$41.7m) for the year to June, up 6.6 per cent on 1986-87, a period when the company made significant profits on its share dealings.

Turnover rose to HK$690.5m from HK$635.6m.

Also yesterday Sino Realty, the holding company which has a controlling stake in Sino Land, announced net profits of HK$890.4m, up from HK$406.8m.

Most of this came in the first half, after the company sold a substantial part of its share portfolio prior to the crash to the Ng family in exchange for an interest in a property development.

Sino Realty's turnover for the year jumped to HK$2.1bn from HK$1.1bn.

Mr Robert Ng, who is a director of both companies, lost more than HK$1bn on his private account after buying heavily into the futures market just prior to last October's crash. Following the government-led rescue at the futures exchange, Mr Ng agreed to pay back some HK$750m over eight years.

These private losses had no impact on the results of the listed companies.

Sino Land is known as one of the more bullish companies in the local property sector, and Mr Ng is often to be seen bidding aggressively at the territory's public land auctions.

Zim Navigation income up 36.7%

ZIM NAVIGATION, the Israeli shipping company, boosted net profits 36.7 per cent to US$28.3m for the first half to June, on revenues which rose 9.2 per cent to $427m, writes Our Financial Staff.

Mr Zvi Zur, the chairman, said $140m in short-term debts would be rescheduled in an agreement due "within days."

Increased marketing efforts meant that 59 per cent of Zim's business was between ports in third countries, outweighing Israeli export-import trade.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Germany opens door to foreign investors

Haig Simonian on Federal moves to widen the appeal of the debt markets

There may only be a one digit gap separating Series 79 from Series 80 of West Germany's Federal Bonds (Bundesobligationen), but the new 80th issue, due to be launched on October 3, marks a departure.

In what is the most important liberalisation of the German government debt market since foreign banks were allowed into the Federal debt consortium in mid-1986, the German Finance Ministry yesterday gave non-residents the green light to buy Bundesobligationen from the beginning of next month.

These are five-year debt instruments, issued in tap form, which account for almost 20 per cent of the Federal Government's outstanding debt. There was DM84.4bn outstanding at the end of last year.

It is a significant change. Until now, foreign investors wanting to buy medium-term German government securities have been limited to five-year Kassenobligationen (public authority notes, also sometimes known as medium-term notes).

Bundesobligationen are far more appealing for a number of reasons. First, the market in them is much more liquid than that for Kassenobligationen, with both a higher volume outstanding and – normally – much higher issue sizes.

While Kassenobligationen are issued in tender form, Bundesobligationen issues can reach as high as DM5bn before the tap is turned off. However, the average size tends to be about DM1bn to DM3bn, according to Mr Horst Sävert, a Dresdner Bank domestic fixed income analyst.

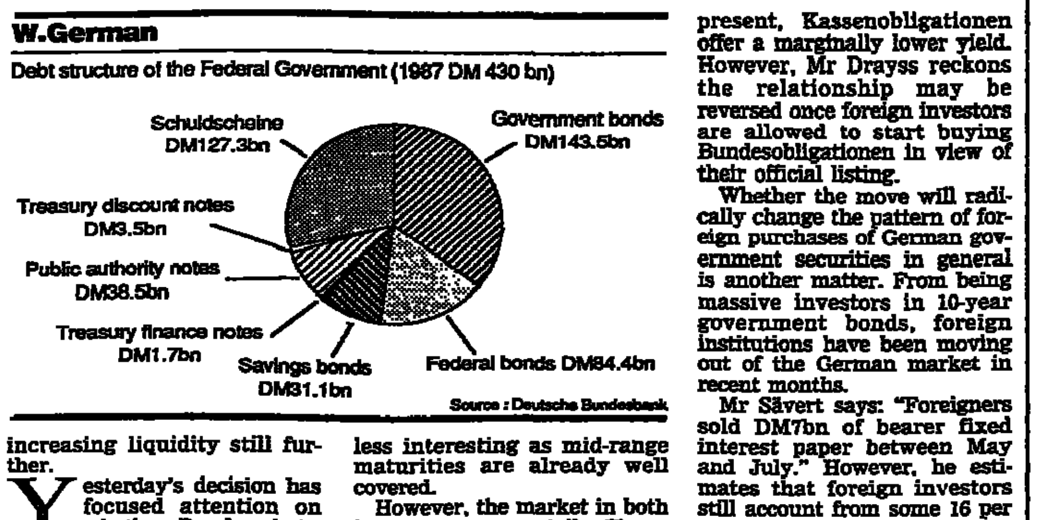
Bundesobligationen also have the edge when it comes to listing thanks to their inclusion on the Amtliche Handel, the bourses' official trading. They also benefit from the fact that the Bundesbank intervenes to smooth the market, as with Bundesanleihen, the 10-year government bonds much favoured at one time by foreign investors.

But the most important difference between Bundesobligationen and Kassenobligationen has yet to come. From October 3, five Bundesobligation issues will join the 18 other government securities which will have their prices fixed continually during stock exchange hours as opposed to only one official fixing as at present.

The change to continuous price-setting on the stock exchange should boost trading and liquidity for the securities concerned and may well have affected the timing of yesterday's announcement. Moreover, any future Bundesobligationen issues over DM2bn will also be continuously traded, increasing liquidity still further.

W.German

Debt structure of the Federal Government (1987 DM 430 bn)



Source: Deutsche Bundesbank

Yesterday's decision has focused attention on whether Bundesschatzbriefe (Federal savings bonds) and Finanzierungsschätze (Treasury financing notes), the two other types of government debt prohibited to non-residents, may also be eventually liberalised to allow non-resident purchases.

In theory, Finanzierungsschätze, which have a one-year to two-year maturity, should be of great interest to foreign investors in view of the lack of any other short-term Federal government paper in Germany. By contrast, the six-year to seven-year maturity Bundesschatzbriefe are likely to be less interesting as mid-range maturities are already well covered.

However, the market in both instruments, especially Finanzierungsschätze, is so small and illiquid that neither is likely to appeal greatly to foreigners, even if the market were liberalised, according to Mr Ernst Ludwig Drayss, a fixed income analyst at Deutsche Bank.

He thinks the latest decision is just a long-awaited adjustment by the German authorities to global market developments and liberalisation elsewhere.

The decision may have some affect on yield relationships between Bundesobligationen and Kassenobligationen. At present, Kassenobligationen offer a marginally lower yield. However, Mr Drayss reckons the relationship may be reversed once foreign investors are allowed to start buying Bundesobligationen in view of their official listing.

Whether the move will radically change the pattern of foreign purchases of German government securities in general is another matter. From being massive investors in 10-year government bonds, foreign institutions have been moving out of the German market in recent months.

Mr Sävert says: "Foreigners sold DM7bn of bearer fixed interest paper between May and July." However, he estimates that foreign investors still account from some 16 per cent of German fixed interest securities – some DM170bn in all.

Given the lively demand for Bundesobligationen among German private investors in particular, the Federal Government does not particularly need any additional inflow of funds from abroad at present. The 79th Series of Bundesobligationen, paying a 6 per cent coupon, was unexpectedly closed earlier this month. But yesterday's decision to remove another barrier to the freedom of markets may tempt foreign buyers into the market nevertheless.

French SE plans to raise FFr720m

By Our Financial Staff

THE French stock exchanges association (SBF) will raise FFr720m ($113.2m) by the end of 1988 in a move aimed at restoring the bourse reserve fund.

The plans, unveiled yesterday by the SBF, which represents the smaller, regional stock markets as well as the main Paris bourse, follow heavy trading losses by the fund in late 1987 and early this year.

The losses, mostly involving uncovered positions on the Matif, the French financial futures market, cost the bourse some FFr614m or nearly 40 per cent of the FFr1.6bn reserve fund.

They also led to the resignation of a number of senior bourse management.

The bourse authorities will seek the new funds from French stockbrokers, the eight leading French banks and state financial institutions.

The move will bring the SBF's total capital and reserves up to FFr1.05bn.

A subsequent operation is planned to raise FFr500m for a guarantee fund with contributions from member firms weighted according to their exposure and capital bases.

The Paris bourse has already imposed a minimum capital level of FFr20m by the end of this year, rising to FFr25m by end-1989.

● Banque Nationale de Paris has offered holders of seven high coupon bonds maturing in 1989 and 1990 the opportunity to swap at market prices into two new subordinated notes maturing in 2000.

BNP says the offer will allow the bank to extend the average maturity of its debt and improve capital adequacy ratios.

Wall Street firms suffer big reverse

By Janet Bush in New York

NEW YORK Stock Exchange member firms which do business with the public suffered a 51 per cent fall in earnings after taxes in the second quarter compared with the first three months of this year.

The regular quarterly figures released yesterday by the exchange reflected the slump in trading volume on the New York Stock Exchange in the second quarter after a relatively lively spring period.

Return on capital, profitability and commission income all dropped in the period from April to June.

Member firms' net earnings dropped to $365m from $745m in the first quarter but remained well above the total of $288m in the second quarter of 1987.

Revenues fell 4.3 per cent to $12.45bn in the period from April to June compared with $13.02 in January to March. Revenues in the second quarter of 1987 totalled $12.6bn.

Profit after tax in the second quarter of 1988 represented a 4 per cent annual return on member firms' net worth of $36.66bn.

Despite drops in profitability, costs rose 0.1 per cent to $11.9bn, their fifth highest quarterly level ever.

The New York Stock Exchange said that about 59 per cent of the 386 firms covered by yesterday's figures were profitable, taking into account trading and interest income and commission revenues.

The proportion of total revenues coming from commission-earning business dropped to 17.9 per cent in April to June compared with 18.6 per cent in the previous quarter.

New York Stock Exchange specialists (market makers) reported a post-tax profit of $30m in the second quarter, a drop of 36 per cent compared with a year ago when they earned $47m. In the first quarter, specialists made an after-tax profit of $55m.

In the second quarter, specialists achieved a 12.3 per cent after-tax annualised return on their capital compared with a 17.7 per cent return in the same period last year.

Mitsui buys DSFH stake

By Michael Marray in Hong Kong

MITSUI TRUST and Banking of Japan is to pay HK$215m (US$27.6m) for a 22 per cent stake in the Hong Kong-listed Dah Sing Financial Holdings (DSFH) in a deal that will strengthen their financial services presence within the British-administered territory and in southern China.

DSFH announced yesterday that Mitsui Trust would pay HK$9.60 each for 22.4m new shares, a substantial premium over Friday's closing price of HK$7.05.

DSFH, which was formed last year as the holding company for Dah Sing Bank and Hongkong Industrial and Commercial Bank (HICB), yesterday reported profits after tax and transfers to inner reserves of HK$35.9m for the six months to June.

Dah Sing Bank, which published profits of HK$40.5m in calendar 1987, acquired HICB last September from the Hong Kong Government.

That sale was seen as a vote of confidence in Dah Sing, which is one of the few family-controlled banks left in Hong Kong's competitive banking environment.

GE's selection of lead manager raises eyebrows

By Our Euromarkets Staff

GENERAL ELECTRIC added its name to the list of US corporations back in the Eurobond markets for fresh capital after a long hiatus, joining Seagrams and Northern Telecom which emerged late last week after several years' absence.

The company, which has not borrowed in Europe since January 1987, issued a $500m five-year bond with a coupon of 9¼ per cent, priced at 101⅝ priced to yield 38 basis points over US Treasuries. While the pricing on the bond itself was a topic of discussion, it was the name of the lead manager, EBC-Amro, which raised eyebrows.

In mid-March, EBC-Amro, once a powerhouse in the Eurobond business, announced it was withdrawing its Eurobond operations from London and consolidating them in Amsterdam. And Amro itself says it has not lead managed a dollar-denominated Eurobond since the end of 1987.

Therefore, that it should have won the highly coveted mandate for such a huge borrowing by a AAA-rated US corporate left some of its competitors speechless. Indeed, several pointed to the pricing, suggesting that EBC-Amro may be trying to buy market share.

Amro hit back, saying that some of its competitors have probably misjudged both the firm's abilities and its intentions. One official said: "Not being in London shouldn't be a reason not to be a major force in Eurobonds."

Furthermore, the bank has a substantial retail network in the Benelux countries where the archetypical Eurobond investor resides. While Amro has had a low profile in the new issues market for most of this year, the official said the firm has been "quite aggressive" in swaps.

Indeed, the proceeds of General Electric's issue were said to have been swapped into two different currencies, one of which was Dutch guilders – possibly the key to Amro's success in winning the mandate at all.

Amro defended the pricing, saying that IBM, for instance, has been able to raise funds in the Eurobond market at 28 basis points over Treasuries and General Electric's issue is certainly of comparable merit.

INTERNATIONAL BONDS

But market consensus was that the issue was no more than a few basis points too tight and that it will eventually be placed. The issue was seen quoted on broker's screens just outside fees at less 1.90 bid, just in line with lower prices in US Treasuries.

Meanwhile, Volkswagen launched a clutch of equity warrant bonds in three different currencies to raise a total of DM1.0bn in capital, of which DM800m is in the form of debt. The remaining DM200 represents the premium on the equity warrants.

The largest of the tranches is a $120m 10-year bond with a 9¼ per cent coupon and priced at 128, of which 27 points represents the cost of the warrants. Lead manager Deutsche Bank said that the structure is commonly used on equity warrant bonds of West German issuers who benefit from certain tax advantages as a result.

Each bond carries 13 warrants, 11 of which are to purchase one share each. The other two warrants are to purchase 20 shares each. The warrants are exercisable at a share price of DM238, against Friday's closing share price of DM241. However, the share price must rise by at least 27 per cent before the investor can break even. All told, the premium on the warrants to the investor is 19.8 per cent. Deutsche Bank said the issue closed at 135.

There is also a DM300m 10-year Eurobond with equity warrants, similarly structured. The coupon is 6¼ per cent and the issue price is 130. Each bond has nine warrants, one of which purchases 20 preference shares and eight of which purchases one preference share each. The issue closed at 138 to 139.

Volkswagen also launched a SFr230m 12-year equity warrant Eurobond bearing a coupon of 3 per cent and priced at par. That issue also traded at a premium closing at 104 to 105.

Taisei Road Construction launched a four-year $80m equity warrant Eurobond with an indicated coupon of 5⅝ per cent via Yamaichi International.

The strength of the equity warrant sector generally was seen in Sumitomo Forestry's $100m issue which had the coupon fixed yesterday at the indicated 5¾ per cent.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on September 19

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93¾	94¼	-0¼	0	9.61
All Nippon Air 9⅞ 97	100	†95¾	95⅞	0	0	10.18
Amer. Brands 8⅞ 92	150	†97⅞	98⅛	0	0	9.46
A/S Eksportfinans 7½ 93	100	†93⅞	94⅜	0	0	9.07

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅞ 92	55	101¼	101¾	0	+0¼	5.03
Belgium 4⅞ 94	45	96½	97	+0¼	+0¼	5.30
Canada 4⅞ 92	80	97⅞	98¼	0	+0¼	4.96
Elec. De France 5¼ 94	20	99¼	99¾	0	+0¼	5.22

FT GUIDE TO WORLD CURRENCIES

INTERNATIONAL COMPANIES AND FINANCE

Unisys revamps mainframe computers

By Louise Kehoe in San Francisco

UNISYS Corporation yesterday revamped its mainframe computer product line with the introduction of long awaited high-performance systems with high-speed transaction processing software.

The product announcement marks the replacement of the ageing Sperry mainframe computer product line and is critical to the company's efforts to maintain its customer base, according to industry analysts.

Unisys is the third largest US computer manufacturer. The company was formed by the merger of Sperry and Burroughs two years ago.

Speaking at the US product launch yesterday, Mr Michael Blumenthal, chairman and chief executive of Unisys, said the Unisys 2200/600 mainframe computers and transaction processing software address the fastest growing segment of the large-scale mainframe computer market and compete directly with IBM's recently launched 3090S high-performance systems.

"Transaction processing is today's most demanding computing environment, requiring ultra-high volume capacity and non-stop, highly-resilient operation," he said.

The transaction processing market is valued at about $21bn and is growing at an annual rate of 17 per cent, according to market analysts. These systems are used by airlines, banks and other organisations that handle thousands of customer transactions that must be recorded and processed. Current leaders in the field include Tandem and IBM.

Mr Blumenthal said that market forecasts indicate worldwide sales for online transaction processing could reach more than $50bn in 1992.

Unisys introduced 11 mainframe computer models all based on central processing units built by Hitachi of Japan. Prices range from almost $2m for an entry-level single processor system to more than $8m for a system with four processors.

Single and dual processor systems will be available next March, Unisys said.

Coats' share price slides with £5m fall in profits

By Alice Rawsthorn in London

COATS VIYELLA, the largest textile group in Europe, saw its share price slide by 21p to 178p yesterday when it announced a fall in pre-tax profits from £81m ($135m) to £76m in the first half of the year.

Mr David Alliance, chief executive, said that Coats had suffered from increased import pressure in the UK and from the impact of the strong pound on its overseas earnings. "It has been a tough half year and will be a tough full year," he said.

Coats has taken action to reduce its cost base and cut capacity. The workforce has already contracted by 1,200. Mr Alliance warned that there would be more redundancies before the end of the year.

In the six months to June 30, Coats saw sales rise to £881.9m (£815.1m) but operating profits were static at £78.7m (£78.4m). Earnings per share (before extraordinary items) fell to 9.71p (10.37p). But the board proposes to increase the interim dividend to 3p (2.7p).

Since last autumn, when the pound began to rise on the foreign exchange markets, the flow of low-cost imports into the UK has risen rapidly. The increase has imposed pressure on the sales of UK manufacturers, like Coats, and also on profitability.

David Alliance: suffered from import pressure

Coats is heavily exposed to overseas markets – through its international thread and handknitting interests – and lost an estimated £5m because of the effect of adverse exchange rates on profits conversion.

The group is also exposed to the parts of the textile industry that have fared particularly badly in recent months. It lost £8m in profits when its knitwear interests fell into a loss in the first half. There have already been cuts in knitwear and Coats is considering further action. Hand knitting, which fell into decline two years ago, produced static profits albeit at a low base.

The reorganisation of the group's carpet interests is taking "longer than expected" to complete. Coats is reviewing the future of its Country Casuals and Viyella retail businesses.

Mr Alliance said that some areas – men's shirts, home textiles and engineering – fared well despite increased competition. In the long term Coats is augmenting its overseas sourcing in order to counter the vulnerability of its UK manufacturing interests.

Holmes à Court denies breaking SE rules

By David Lascelles, Banking Editor, in London

MR ROBERT Holmes à Court, the Australian entrepreneur, denied yesterday that he had been in breach of Stock Exchange rules when he bought shares in Standard Chartered shortly before the announcement of last week's rights issue.

Mr Holmes à Court is deputy chairman of Standard, a position which would have precluded him from buying shares if he possessed inside information of a market sensitive nature.

He said yesterday he was confident he had not breached the rules for two reasons.

First, he sought clearance on August 12 from Sir Peter Graham, the chairman, to buy the shares. Sir Peter said this would be alright provided the purchases were made after August 16 when a board meeting was held to approve Standard's interim results.

Second, although Sir Peter told the board meeting that a £303m rights issue was imminent, Mr Holmes à Court did not receive this information because he missed the meeting and was on holiday on a ranch in Montana.

In the course of the next two weeks, his brokers bought 80,000 shares. When Mr Holmes à Court finally received the minutes of the August 16 board meeting on September 2, he halted the purchases and informed Sir Peter of them.

Asked if he felt Standard Chartered should have made a greater effort to tell him about the proceedings of the board meeting before then, Mr Holmes à Court said: "I have no view on that."

In response to suggestions that his handling of the purchases pointed to a lack of familiarity with the rules, Mr Holmes à Court stressed he was fully conversant with regulations.

Belhaven head departs after boardroom row

By Nikki Tait in London

MR RAYMOND MIQUEL, the former chairman of scotch whisky group Arthur Bell, has been replaced as both chairman and chief executive of Belhaven Brewery, the Dunbar-based group, after a boardroom row.

Yesterday, a statement from Belhaven – accompanying interim figures showing only a marginal improvement in interim profits – said that a difference of opinion had arisen between Mr Miquel and the majority of the board about the management and future development of the group. The company declined to elaborate

Mr Phillip Kaye, chief executive of restaurant chain Garfunkels, which Belhaven acquired in May 1987, takes over as group chief executive. Mr Bruce Johnstone has been appointed chairman. The company refused to say whether Mr Miquel has resigned or been sacked.

TI steps up heat treatment with £72.5m Thermal Scientific buy

By Clay Harris

TI GROUP, specialist engineering company, yesterday agreed to pay £72.5m in cash for Thermal Scientific, a manufacturer of high temperature vacuum furnaces. It plans to merge Thermal's vacuum businesses with its existing Abar Ipsen heat-treatment subsidiary.

Mr Chris Lewinton, TI chief executive, said the acquisition would expand Abar Ipsen's geographic and product range, making it the world's largest international player in thermal technology, involving the testing and processing of materials at high temperatures and controlled atmospheric conditions.

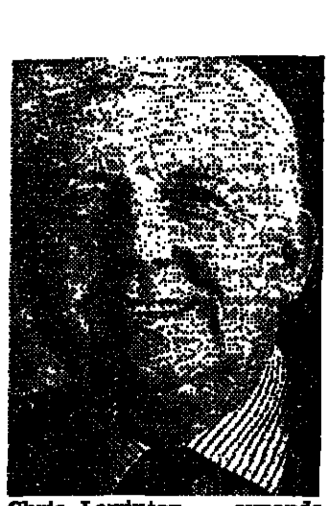
Thermal makes vacuum furnaces operating at temperatures between 1,500 and 3,000 degrees celsius, compared with the 1,000 degree maximum of Abar Ipsen's products. Thermal also makes laboratory and start-up furnaces, whereas TI's existing furnaces are larger, production-line models.

TI plans to sell Thermal's peripheral operations in polymer engineering, instrumentation and laboratory equipment. One disposal for £6.5m has already been agreed, and TI said it expected to recoup at least £18m from the rest.

This strategy would repeat, on a smaller scale, TI's $500m (£281m) takeover last year of John Crane-Houdaille, the US engineering group. TI subsequently raised $200m through the sale of all parts of Houdaille except Crane, the world's largest maker of mechanical seals.

Since the beginning of 1987, TI (formerly Tube Investments) has been transformed in an effort to concentrate on world leadership in a few specialised engineering sectors.

It has sold operations such as Raleigh, the bicycle maker, the domestic appliances companies Creda, Glow-worm, Parkray, Russell Hobbs and Tower, and some of its low technology metal tubes businesses. In addition to Crane, it has added Armco Europe and Bundy, leaders in small-diameter tubing.



Chris Lewinton – expands geographic and product range.

Mr Hugh Sykes, Thermal chairman and chief executive, said the operations TI plans to retain accounted for 70 per cent of pre-tax profits of £7.38m in the year to March 31. He is participating in a management consortium which will pay TI £6.5m for Carbolite Furnaces and Betol Holdings.

TI is offering 222p in cash for Thermal shares. It bought the maximum 29.9 per cent of Thermal shares in the market yesterday to add to the 16.1 per cent for which Mr Sykes and his family had given irrevocable undertakings to accept. Thermal shares closed 62p higher at 218p, TI down 3p at 340p.

Tysons returns to profit with £14,000 midway

Tysons, building group, has reported a pre-tax profit of £14,000 for the six months to June 30, compared with a £554,000 loss in the previous first half. The turnround was achieved on almost static turnover of £10.77m. Trading profit was £83,000, against a £146,000 loss last time.

The board proposes a one-for-two rights issue at 42p per share to raise about £3.15m before expenses. J F Donelon and Co, the Donelon pension plan, and the directors are taking up 2.55m new ordinary, the balance is fully underwritten.

Earnings per share were 0.1p (11.1p loss). There is not expected to be a dividend payment in the current year.

Breedon profit leap

Breedon, limestone quarrying company, hoisted pre-tax profits from £875,000 to £1.94m in the six months to end July.

Turnover more than trebled to £7.91m (£2.56m). Earnings were lifted 95 per cent to 9.68p (4.97p) per share. The directors have raised the interim dividend to 2.5p (2p). A one-for-one scrip issue is also proposed.

Erskine House launches agreed bid for Quest

By Andrew Hill

ERSKINE HOUSE Group yesterday launched an agreed bid for Quest Group, taking the acquisitive fax and photocopier company into the distribution and maintenance of microcomputers.

The all-shares deal, which values Quest, computer products supplier, at about £22.2m, means the enlarged group will have customers in both superpowers. Erskine is already strong in the US and Quest makes about half its sales in the Soviet Union.

Mr Brian McGillivray, Erskine's chairman, admitted yesterday that initially he had doubts about the value of the Russian business. However, Mr Fred Stirling, chairman of Quest, said: "The size of the enlarged group will mean that we will be able to take on bigger and better deals in Russia."

Quest's shares – valued under the offer at 108p each – rose 26 per cent from 82p to 103p yesterday, while Erskine started the day at 215p and slipped 14 per cent to 185p.

Erskine is mainly involved in the distribution and servicing of fax machines and photocopiers. Mr McGillivray said the merger would provide Erskine with the skills necessary to exploit the increasing computerisation of the office equipment business.

Erskine is offering seven of its shares for every 12 Quest shares, a total issue of 13m new ordinary shares, or 28.6 per cent of the enlarged group's capital.

About 40 per cent of Quest's sales are made in the UK, where it sells and maintains microcomputers. It also has a programming service which provides specialised software services for major companies.

Erskine expects to integrate the laser printer companies acquired earlier this year with Quest.

The balance of the company's sales are made overseas, 80 per cent in the Soviet Union to state agencies and industrial ministries.

Some 33.4 per cent of Quest's shares have already been committed irrevocably to the Erskine offer.

In the year to February 29, Quest made £3.36m before tax on sales of £32.1m. Erskine made £9.2m pre-tax in the year to March 31, on sales of £103m.

Paragon makes 44% advance in first half

Further strong growth at Paragon Communications, public relations specialist, resulted in pre-tax profits for the half-year to end-June up 44 per cent to £430,000.

This came from sales of £3.76m, £1m up on last time. Tax took £158,000 (£114,000) and earnings per 5p share were up 35 per cent to 5p (3.7p).

Mr Michael Hingston, chief executive, said the group now served more than 60 clients and the outlook for the year was good. The company would maintain its emphasis on strong organic growth and explore opportunities for development in the UK and continental Europe.

The directors have declared an improved interim dividend of 1.1p (0.9p).

Tarmac raises stake

Tarmac, construction and building materials group, has increased its stake in Ruberoid, roofing materials group. Tarmac has now received irrevocable acceptances of its recommended £141.3m cash offer representing 20.7 per cent of Ruberoid's shares.

USH chief quits as subsidiary hits profits

By Clay Harris

UNITED SCIENTIFIC Holdings, defence equipment manufacturer, warned yesterday that cost overruns in its Avimo subsidiary could pull group pre-tax profits down to £10m in the year to September 30, compared with the £11.1m achieved in 1986-87.

As a result, Mr David Fraser, chief executive and managing director, resigned yesterday, and was replaced by Mr Derek Cannons. USH shares closed 5p lower at 176p.

USH said a detailed technical evaluation of contract profitability at Avimo, manufacturer of electro-optical equipment, had identified technical problems and associated cost overruns which would require significant write-downs of work in progress.

Sir Frank Cooper, chairman, said several contracts involving orders for overseas military customers did not appear to have been properly costed. USH had already put in a finance director at Avimo, and was preparing to appoint a new production director.

Mr Fraser offered his resignation after discussions with the board, Sir Frank said. "He felt his credibility had been undermined and that he had to go," the chairman added.

An undisclosed financial settlement has been reached with Mr Fraser. USH's highest paid director, believed to be Mr Fraser, received £145,000 including profit-related bonus in 1986-87.

The discovery of the problems at Avimo was one element in USH's decision earlier this month not to pursue its seven-month bid to take over Varo, US manufacturer of night-vision devices, Sir Frank said.

USH had signalled its willingness to pay up to $115m (£68.5m) for Varo, but pulled out on September 5 to leave the field open for an American "white knight," IMO-Delaval.

In addition to Mr Cannons' appointment, Mr Peter Hickson moves from finance director to become deputy chief executive with particular responsibility for strategic development.

Hambros takes new route back to life assurance

By Eric Short

Hambros, the merchant bank and financial services group, has returned to the UK life assurance market with the official launch yesterday of Hambro Guardian Assurance.

The group's previous foray into life assurance at the begining of the 1970s with Hambro Life Assurance under the leadership of Mr Mark Weinberger was one of the entrepreneurial success stories of the decade, though the bank itself was forced to cash-in on this success to cover its shipping losses.

However, for this new venture Hambros is taking a different route.

The new life company is a joint venture between Hambros's estate agency subsidiary, Hambro Countrywide and leading UK composite Guardian Royal Exchange, with GRE putting up the £40m initial paid-up capital.

The diversification by Hambros into estate agency operations has been another unqualified success. Pre-tax profits of Hambro Countrywide were up by one-third at the interim stage at £14.27m and Hambros holds 51 per cent of the company.

Hambro completed over 70,000 house sales last year and expects more than 80,000 this year. In over one-third of these sales Hambro Countrywide arranges the mortgages and the consequent means of repayment – in most cases through a life contract.

This latter feature provides another source of profit. But up to now the financial service consultants based at the Hambro Countrywide branches have, under the financial services regulations, been representatives of GRE. By setting up its own life company, Hambro Countrywide will get these profits direct instead of GRE.

The initial products from Hambro Guardian will be primarily mortgage related.

However, it is an expensive operation setting up a life company. GRE, as well as providing the administration services on a contract basis, has put up the required capital, the £40m being satisfied by the issue of 30m ordinary shares in Hambro Countrywide and 25m convertible shares. If GRE exercises its option to convert in 1991 it will provide a further £43m capital.

As a result, Hambros's equity holding in Hambro Countrywide has been cut to 51 per cent and would drop to about 47 per cent on conversion. GRE's holding has risen to 19 per cent and after conversion to about 24 per cent.

Reed approach sparks fresh bid speculation at Pearson

By Nikki Tait

SHARES IN Pearson, publishing, banking and industrial company which owns the Financial Times, jumped 46p to 735p yesterday amid speculation that the company's recent stake swap deal with Elsevier, Dutch publishing concern, would act as a catalyst for hostile predatory action.

Reed International, which was revealed to have approached Pearson with the opportunity of a "friendly" merger earlier this month, declined to make any formal comment.

However, it is understood that the company is currently reviewing its options, and waiting for the dust to settle. Reed is cash-rich at present but does not have a tradition of making hostile bids. It has, however, been fairly acquisitive on a friendly basis recently.

Meanwhile, Charterhouse, the merchant bank brought in earlier this year to advise Mr Rupert Murdoch's News International over its 20.5 per cent holding in Pearson, confirmed yesterday that it had raised certain aspects of the Elsevier deal with both the Takeover Panel and the Stock Exchange.

The deal would dilute News International's holding to under 19 per cent, and increase to perhaps as much as 40 per cent the proportion of shares held in hands friendly to the Pearson board.

"Complaint is probably the wrong word," commented Charterhouse. "We have asked both bodies to give us their views in the light of news about the Reed discussions."

The query to the Panel concerns the possible question of a concert party among various shareholders, and whether this might have breached a significant level under the Takeover Code. The Panel itself declined, as usual, to discuss an individual case.

The Stock Exchange question rests on whether the deal should be put to shareholders. This would normally only be required if it constituted a "major class one" transaction.

According to Stock Exchange rules there are various tests in deciding how transaction should be classed – comparing the size of assets transacted with existing assets, profits with profits, and so on. Where the ratio tops 5 per cent, the transaction is normally class two, when an announcement must be made; over 15 per cent, class one, when shareholders must be circulated; over 25 per cent, major class one.

Yesterday, Lazard Brothers, advising Pearson, said discussions with the Stock Exchange before the announcement had established that the Elsevier deal would be a class two transaction. Although aggregation of a series of class two transactions can prompt a requirement to circulate shareholders, the question of aggregating to form a "major class one" transaction does not arise.

Yesterday, a straw poll among larger institutional investors suggested some general unease about protective deals but little heated concern about the Elsevier proposals in particular. "Industrially, it seems a logical step," commented one large insurance company. However, another described "all sweetheart deals as rather suspect," adding that it would be examined carefully."

Pentland warns market of downturn at Reebok

By Alice Rawsthorn

PENTLAND INDUSTRIES, the consumer products group which recently acquired Parker Pen, yesterday warned the stock market that its 1988 results might be affected by a fall in earnings from Reebok, its associate company in the US.

Pentland holds 32 per cent of Reebok, one of the leading US sports shoe and sportswear companies. In the early 1980s Reebok was extraordinarily successful, but in the past year it has suffered from depressed margins and slower growth from its sports shoe business.

Last week Reebok said that it expected to report reduced earnings for the third quarter ending September 30, and for the full year.

Reebok attributed the fall to pressure on gross margins: fuelled by rising raw material prices, the impact of the weak dollar on the cost of overseas sourcing and increasing labour costs in South Korea.

The pressure on margins should be alleviated in the fourth quarter, but Reebok expects full year earnings to fall to between $1.40 (82p) and $1.45 a share, compared with $1.49 last year.

Although Pentland has diversified in recent years to reduce its reliance on Reebok, the associate still provided more than three quarters of its £38.5m pre-tax profits in the first half of the year.

Pentland's share price fell 14p to 101p yesterday.

Cantors edges ahead to £2.33m

At the pre-tax stage, profits from Cantors rose only 4 per cent to £2.33m (£2.25m) in the 53 weeks ended April 30 1988.

But the dividend is increased from 1.5p to 2.25p, with a final of 1.5p. Earnings were 11.77p (8.25p) excluding exceptional items.

Turnover of the group, a retailer of general house furnishings, carpets and bedding, rose 16 per cent to £37.3m, while operating surplus soared 73 per cent to £2.3m.

However, the variation in provision for deferred profit fell to £184,000 (£819,000) and there was an exceptional £74,000 mainly for potential losses on clearing stocks, whereas last time took in £466,000 surplus on sale of freehold properties.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Antler § ....int	1.4	-	1.3	-	3.6
Armour Trust ....fin	0.709	Nov 11	0.606	0.909	0.606
Belhaven ....int	0.45	Nov 11	0.45	-	0.75
Brent Chemicals ....int	1.25	Nov 21	1.1	-	5.2
Bryant Group ....fin	3.1	Nov 30	2	4.3	2.75*
Camellia Inv ....int	8	-	7	-	17
Cantors ....fin	1.5	Nov 3	1*	2.25	1.5*
Coats Viyella ....int	3	Jan 2	2.7	-	8.7
Colorgraphic § ....int	1.66	Nov 1	1.33	-	4.5
Conder Group ....int	3	Nov 22	2	-	
Delaney Group ....int	1.3†	-	1.1	-	3.3
EIS Group ....int	2.45	Dec 31	2.2	-	8.35
Estates Property ....fin	nil‡	-	6	3	9
Gabicci § ....fin	2.6	-	2.2	4	3.3
Glaxo ....fin	18	-	14	25	19
Green (Ernest) § ....fin	3†	Nov 28	2.5	4.75	4
Holmes Protect ....int	1.1◆	Jan 24	1	-	3.1
Ind Fin & Inv ....fin	2.5†	-	2	4	3
Jacks (William) ....int	0.9	Nov 18	0.8	-	1.7
Memec ....int	1.4	Nov 18	1.13	-	4.13
Metsec § ....int	1.85	Nov 30	1.6	-	3.2
Morgan Crucible ....int	4.85	-	4.6	-	10
Nthn Industrial ....fin	12.94	-	12.94	17.94	17.94
Paragon Comm. ....int	1.1	Oct 29	0.9	-	1.8
Pennant Props ....fin	2☆	Nov 14	1.55	2.7	2.25
Ransomes Sims ....int	3.5	Nov 7	2	-	7.2
Really Useful ....fin	10.5	Nov 14	9.15	15	13.25
Waterford ....int	1.2♣	Dec 12	1.2	-	2.88

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ‡Third market. ♣Irish currency throughout. ◆US cents. ☆For 17 months. ‡Following acquisition by Gilvote.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Beaufort Group, Benrose, Bowthorpe, Clyde Pet., Cussins Property, Davis (Godfrey), Elswick, Holt (Joseph), Kwik Fit, Quarto Group, Royal Sovereign, Silentnight, Singer & Friedlander, Sovereign Oil & Gas, Watmoughs, Yule Catto.

Finals- Abingworth, Broadcast Comms., Everest Foods, Fitch & Co., Irish Glass, Minorco, Mucklow (A. & J.), Polypipe, Zambia Copper Invs.

FUTURE DATES

Interims-

Alexandra Workwear	Oct. 11
Anglo Eastern Plant	Sept.22
Baillie Gifford Tech.	Oct. 11
Dencora	Sept.27
Doeflex	Oct. 3
Helene of London	Oct. 3
Jackson Group	Oct. 18
Jacques Vert	Oct. 6
Molins	Sept.27
Mowlem (J.)	Sept.27
Next	Sept.27
Northwest Explo.	Sept.19
REA Hldgs.	Sept.23
Serco Group	Oct. 3
Smurfit (Jefferson)	Sept.27
Sumit	Sept.28
Turriff Corp.	Sept.26
Vickers	Sept.22
Whatman Reeve Angel	Sept.29

Finals-

Allied Restaurants	Oct. 4
Chambers & Fargus	Sept.27
China & Eastern Inv.	Sept.30
Colroy	Sept.28
Domestic & General	Sept.27
Frogmore Estates	Sept.28
Halstead (J.)	Oct. 4

UK COMPANY NEWS

Morgan rises to £18.7m helped by acquisitions

By Andrew Hill

ACQUISITIONS helped boost Morgan Crucible, industrial materials and electronics company, to record pre-tax profits of £18.7m in the six months to June 30, up 52 per cent on £12.3m in the equivalent period.

Sales increased to £219m, of which 77 per cent came from outside the UK, against £144m last time on 75 per cent from abroad. At average exchange rates the pre-tax figure would have been £1.3m higher. A further £500,000 was lost in redundancy and reorganisation costs.

Last summer Morgan bought Holt Lloyd for £85m. The subsidiary, which produces Turtle Wax and other car-care consumer products, contributed operating profits of about £4.3m (£4m) in the first half. Holt is part of Morgan's specialty chemicals division, which increased profits from £2.2m to £6.8m.

A second major new subsidiary, Insulating Products Group (IPG), a manufacturer and distributor of high temperature insulating bricks, made operating profits of about $6.1m (£3.64m) from January 20, when the £37m acquisition was completed. This compared with $8.6m in the first half of 1987, under its previous US owners, McDermott International. IPG's division, thermal ceramics, made £6.6m (£3.2m).

Profits at the carbon products business advanced from £5.3m to £5.5m. Further restructuring was carried out at the electronics division where profits came down from £500,000 to £100,000.

Technical ceramics suffered from UK defence cuts and a reduction in Australian state railways' spending on electrification. Profits were reduced from £4.3m to £4m, but Mr Bruce Farmer, group managing director, said he expected an increase in the division's contribution in the second half.

Earnings per share rose 15 per cent to 10.8p (9.4p) and an interim dividend of 4.85p (4.6p) has been declared.

● COMMENT

Mr Bruce Farmer's confidence in the broad geographical spread of Morgan's business is undented by adverse exchange rates. He points out that although the Americas account for 37 per cent of group sales, in the first half exports from the US manufacturing operation increased by 50 per cent. Mr Farmer is also keen to expand further in the Far East and south-east Asia – Morgan has just negotiated its first joint venture in China. Meanwhile, fears that Morgan's components activities would quickly stumble in a recession, seem to be offset by the group's policy of adding technological value to its basic products. Even the apparently humble crucible has to be manufactured for more rigorous purposes than exposure to sixth-formers' bunsen burners. Forecasts of about £43m before tax in the full year would put the shares – down 1p to 243p yesterday – on a fairly undemanding prospective p/e of about 10.

Kerry to expand in US through $130m buy

By Christopher Parkes, Consumer Industries Editor

KERRY GROUP, Tralee-based dairy and meats group, yesterday strengthened its presence in the US with an agreement to buy Beatreme Food Ingredients for $130m (£77.52m).

Kerry, a former farmers' co-operative which is quoted on London's Unlisted Securities Market, will pay $80m on completion next month.

The balance, due in April 1991, will be paid in the form of a promissory note for about $64m, reflecting principal and interest.

Beatreme, part of the rump of Beatrice Group which is now owned by E-II Food Specialties, is one of the largest food ingredient manufacturers in the US, with net tangible assets of $35.5m and four factories in Wisconsin and Ohio. It made trading profits of $10.9m last year on sales of $110m.

Its main products include snack seasonings and cheese powders for food manufacturers, and own-label convenience foods for multiple retailers.

Mr Hugh Friel, deputy managing director, said it would have taken Kerry about five years to build such a range of products.

Last year the company paid about $10m for a processing plant in Jackson, Wisconsin, which has been adapted to convert milk by-products into food ingredients.

Six months ago it bought Primas Foods of Illinois, a supplier of chocolate powders for the drinks industry.

Earlier this week Kerry reported a sharp increase in pre-tax profits for the first half, up from I£1.44m to I£4.41m (£3.77m).

Standing up against the "sheds"

Philip Coggan looks at restructuring by builders' merchants

SOMETHING IS stirring amidst the bags of cement and the tins of creosote. The current three-way bid battle involving Sandell Perkins, Travis & Arnold and Meyer International highlights the current bout of restructuring in the traditionally staid world of builders' merchanting.

Last week, Sandell and Travis announced an agreed merger - only for Meyer to upset the applecart two days later with a higher bid for the latter group. Whichever of the two combinations is created, the effect will be further to increase the concentration of the annual £5.5bn builders' merchanting market in the hands of a few large players.

Excluding Wolseley, which mainly operates in the specialised heating and plumbing market, the largest operators are generally agreed to be Grahams (owned by BTR), UBM (part of Norcros), Crossley Ferguson (in Bowater Industries) and Meyer, through its Jewson subsidiary.

A combined Sandell and Travis would be in the top rank with the others. The groups claim geographic, as well as industrial, logic since Sandell is largely based in London and the south-east whereas Travis is concentrated on the midlands and the south-west.

However Meyer, which had its bid rejected by Travis last week, is claiming that Meyer-Travis would be the largest UK merchant, with a greater geographical spread than a Sandell-Travis combination.

All three groups have been able to report healthy profit increases in recent years as they have benefited from the boom, not only in the construction market but in home refurbishment.

The merchants, like the building sector as a whole, are confident that the construction boom has plenty of life in it yet. However, the stock market is less sanguine and the single figure p/e ratios commanded by building merchants' shares may have contributed to the current wave of consolidation as managements seek to buy up competitors at bargain basement prices.

In the long term, merchanting mergers could be a smart defensive move to ward off the predatory attentions of the DIY retailers, the so-called "sheds". Some consolidation has already occurred. RMC Group, for example, owns both the Halls merchanting business and the Great Mills DIY chain; Wickes, the DIY retailer, rcently emerged as the buyer of Hunter, the quoted timber merchanting subsidiary of Hillsdown Holdings.

In theory, the DIY "sheds" and the builders' merchants serve separate markets - the one aiming at the amateur enthusiast, the latter at the professional. The merchants claim that professional builders have radically different requirements from their DIY counterparts.

Single figure p/e ratios contribute to the wave of consolidation as managements seek bargain basement priced acquisitions.

When Magnet decided to shift its selling emphasis from supplying the trade to supplying the public, the initial effect was to drive away its builder customers. Trade sales now account for less than 40 per cent of Magnet's total.

Despite the merchants' confidence, the "sheds" do pose a challenge; if the merchants prove too expensive or inefficient, the professional builders will desert them. But until now, the merchants have kept their hold on the jobbing builder because of their product range, their greater willingness to extend credit and their expertise. The builder is likely to get better advice from the local experienced merchant than from the callow youth at the checkout counter.

Nevertheless, the building merchants are well aware of the challenge of the "sheds". Jewson has weighed in with a TV campaign to increase brand recognition and Harrisons & Crosfield, the chemicals to plantations conglomerate, has rechristened its 137 outlets with the trading name Harcros.

The latter move, according to Mr George Paul, Harrisons' chief executive, was aimed more at the group's suppliers than its customers. "We were operating under 46 different trading names," he says, "and I don't think our suppliers recognized our selling power. In the merchanting business, your margins are just as dependent on the price at which you buy as on the price at which you sell."

Mr Robert Lister, an analyst at stockbroker Barclays de Zoete Wedd, agrees: "Faced with the buying power of the large DIY operations, there is a lot of sense in consolidation in the builders' merchanting sector."

Harrison & Crosfield picked up the Southerns-Evans timber merchanting chain from Magnet in June and plans to sell other building products through its newly acquired outlets. That is a move which fits in with the historical development of the timber merchanting sector.

Oscar DeVille, chairman of Meyer International.

Timber is a highly cyclical business and the merchants have tended to diversify to reduce their exposure to the downswing of the cycle. Meyer is a classic example of this strategy; only recently have Jewson's profits overtaken those from its forest products side.

Meyer's assault on Travis may well be an uphill task - directors and family interests owning 39 per cent of the equity are committed to the Sandell offer. But further mergers in the sector look inveitable.

If the big players can squeeze better prices out of their suppliers, the pressure on the smaller groups is likely to increase. And with merchants particularly sensitive to volume declines, any downturn in demand could create some forced sellers.

RSJ advances 40% to £6.4m

By Ray Bashford

RANSOMES SIMS & Jefferies, freed to concentrate on grass-cutting operations by the disposal of its farm machinery business, boosted pre-tax profits by 40 per cent to £6.4m during the six months to June 30.

Directors accompanied details of the interim results with the warning to shareholders that they view Birmid Qualcast's acquisition last month of a 8.36 per cent stake in the company as potentially hostile.

Mr Bob Dodsworth, chief executive, said that there had been no discussions with the Birmid board since the purchase and that he was opposed to such a stake being held by a competitor.

Earnings per share advanced 26 per cent to 15.1p (12p) despite a sharp rise in the tax charge to £2.1m (£1.2m) as the company moved to a "more normal" rate after utilising benefits from previous losses among subsidiaries.

Turnover increased from £43m to 48.35m with the grass machinery operations contributing £44.95m (£36.19m). Reflecting the withdrawal from the low-yielding farm machinery business, turnover from that division slid to £952,000 (£6.01m). Industrial components contributed £2.44m (£767,000).

Directors said that full benefits of the farm machinery sale would become more apparent in the next financial year with the full impact coming in 1990.

Mr Dodsworth said the company had decided to reduce its dividend cover following an improvement in the cash position and also to narrow the gap between interim and final dividends. As a result, the interim is 75 per cent higher at 3.5p (2p).

● COMMENT

Ransomes Sims & Jefferies thrives on bad weather. The past six months have been no exception. However, the company has also been experiencing the benefits of a desire by lawn owners to move away from so-called "bovver" equipment to up-dated, higher priced equipment. Stripped of the farm machinery division, the company is concentrating, with increased force, on developing its range of large and small scale lawn mowers. The purchase of Steiner Turf Equipment of the US holds promise for increased contributions, despite the drought, while further expansion into Europe should boost economies by lowering exporting costs. The latest result was ahead of forecasts and analysts have upgraded their outlook for the year to £12.5m. This would place the company on a fair prospective p/e of 11.3, in line with the market.

Financier raises stake in Tranwood to 16.5%

By Philip Coggan

MR PETER EARL, the financier, had another busy day yesterday – resigning from two boards and increasing his stake in Tranwood, the quoted financial services group.

Sloane Corporation, a company controlled by Mr Earl, is buying 7.32m shares and 862,000 warrants in Tranwood from Ifincorp, a Luxembourg-based venture capital group.

The deal ends the association between Ifincorp and Mr Earl, which started when the Luxembourg group backed Mr Earl's merchant banking venture, appropriately named Ifincorp Earl in 1985.

Sloane will now own 16.5 per cent of Tranwood, which acquired Ifincorp Earl last year. Since then, Tranwood has been demerged into its financial services and hosiery interests.

The hosiery business was renamed Bear Brand and Mr Earl announced yesterday that he was leaving the board of that company. His departure from the board of Stonehill Holdings, the furniture manufacturer and property group, was less expected.

Ifincorp Earl put together the financial package which brought in Mr James Buchanan, the present chairman of Stonehill.

But Mr Earl said the resignation reflected his intention to withdraw gradually from all his non-executive directorships. He remains, for the moment, a non-executive director of Benlox Holdings, the group which unsuccessfully bid for Storehouse last year.

Ifico jumps 49% to £3m

Sales and profits advanced strongly at Industrial Finance and Investment Corporation in the year to June 30. The company, which is involved in financial services, estate agencies and nursing homes, proposes to change its name to Ifico.

Sales rose from £8.33m to £11.89m and pre-tax profit by 49 per cent to £3m (£2.01m). The chairman said the high tax charge of £1.31m (£684,000) related substantially to unrelieved losses of subsidiaries, two of which had been sold.

An extraordinary credit of £948,000 (£9,000) consisted of £696,000 profit on the sale of subsidiaries, a £742,000 loss on the sale of a subsidiary and £992,000 tax relief upon the liquidation of a subsidiary.

Earnings rose to 5.86p (5.27p). The proposed final dividend of 2.5p makes a total of 4p (3p).

Rivoli Cinemas

Rivoli Cinemas lifted pre-tax profits by nearly 11 per cent to £342,332 in the year to April 5 1988, compared with £309,651.

The directors are proposing to lift the single final dividend to 122p (110p), while earnings per 50p share rose from 108p to 132p after tax of £97,551 (£92,455).

Turnover for the company, which has interests mainly in entertainment and ancillary activities and investment holding, amounted to £271,734 (£242,525).

Gabicci record

Gabicci, USM-quoted designer and importer of casualwear, reported a record result with pre-tax profits more than doubled from £1.09m to £2.45m in the year to June 19 1988.

Turnover grew by 69 per cent to £24.5m and earnings per share were 14.7p (11p). An increased final dividend of 2.8p makes a 4p (3.3p) total.

The company's first formal woven shirt collection had met with success, and sales for spring 1989 had started comfortably above last year.

Metsec improvement

Metsec, USM-quoted structural components and systems maker, lifted pre-tax profits from £903,000 to £1.28m in the first half of 1988.

Turnover rose from £11.24m to £24.89m, resulting partly from the inclusion of Thomas Vale for the first full period.

The building and construction market was buoyant and a successful second half is anticipated.

The interim dividend is 1.85p (1.6p) from earnings of 6.3p (4.55p).

EIS up to £4.6m at halfway

By Clare Pearson

EIS GROUP, specialist and high-technology engineering company, yesterday announced its 26th consecutive increase in half-year pre-tax profits. These rose by 12 per cent from £4.13m to £4.62m in the six months to June 30.

Mr Peter Haslehurst, chief executive, said all companies had performed profitably and most had improved on the first half last year.

Following the $8.54m (£5.09m) acquisition earlier this month of Stokes Vacuum, a supplier of high-vacuum pumps and systems, from Pennwalt Corporation, EIS continued to look for expansion opportunities around the world, Mr Haslehurst said.

Although purchases have recently been made in West Germany and Italy, he said EIS had a traditionally strong presence in Continental Europe so 1992-related acquisitions were not priorities.

Cash balances at the interim stage were not given, but they stood at £13m at the last year-end. The initial consideration for Stokes Vacuum, which supplies high-vacuum pumps and systems, was £2.5m.

Turnover rose to £50.32m (£42.74m). After a marginally lower 38 per cent tax charge, earnings per share came out at 12.22p (10.94p). An interim dividend of 2.45p (2.2p) is proposed.

There was no profits breakdown, but Flexibox, the fluid seal and power transmission coupling division which has 15 overseas subsidiaries, was described as performing well in spite of the unhelpful exchange rate. The aircraft and precision engineering division saw strong demand from the aerospace industry.

● COMMENT

EIS Group is the kind of company that makes investors feel cosy. Apart from one set-back in the 1970s, it is now looking at 35 consecutive half-yearly advances: a record of which it is so proud it seems inconceivable it could ever do anything rash. It eyed up Stokes Vacuum, its first significant acquisition since 1984, with $27m worth of sales, for ages before taking the plunge. The industrial fit with Hick Hargreaves, the vacuum generating subsidiary in the UK, is glaringly obvious, and even though Stokes Vacuum was in loss last year EIS followers are confident it will make a positive contribution even in the last quarter this year. After that, the prospects for this area of EIS's activities could get quite exciting. Full-year pre-tax profits of about £9.5m in sight, putting the shares on an entirely justified prospective p/e of just over 11. Shareholders keen on safety should not even contemplate selling; and another major acquisition – which is possible though not probable assuming EIS still has £4m or more in cash – would doubtless be well-received.

UK COMPANY NEWS

Waterford back in profit as restructuring pays off

By Fiona Thompson

THE WATERFORD Glass Group returned to the black yesterday with the announcement of pre-tax profits of I£2.5m (£2.15m) for the six months to June 30. The outcome is sharply down on profits of I£12.03m for the first half of the previous year, but an improvement on the 1987 full year loss of I£10.8m.

The Irish company, which owns the Wedgwood china concern, carried out a major restructuring last year, cutting the number of employees in the crystal division from 3,000 to 2,100 and introducing new equipment and working practices. Crystal production costs have been cut 20 per cent.

Group turnover was £135.46m (£131.28m). Of this, crystal sales rose from £33.81m to £38.43m, although crystal operating profits fell from £2.07m to £1.18m.

"We did not have all the skills in the right place following the restructuring and voluntary redundancies," said Mr Paddy Hayes, chairman, "so for the first four months we were rebuilding our craft teams. It was early July before we reached the standard rate of production. The restructuring has been an extremely heavy burden but now we are beginning to achieve the performance we foresaw."

China contributed profits of £11.49m (£11.71m) on sales of £84.88m (£89.51m). In addition to the shop-in-shop outlets, two of the key Waterford Wedgwood stores in London have been refurbished. There are now seven US outlets and five in the Far East. Mr Hayes said Wedgwood had proved to be an outstanding acquisition.

John Hinde, printing and postcard subsidiary, made profits of £800,000 (£600,000). It has since been sold for £5.7m.

Operating profits fell from £15.16m to £13.49m. But the pre-tax result showed the much wider drop due to an exceptional debit of £6.1m (nil), representing final costs of restructuring, and interest charges of £4.89m (£3.13m).

Tax took £749,000 (£4.48m). Earnings per share fell from 1.88p to 0.42p and the interim dividend is unchanged at 1.2p.

● COMMENT

It is really going to be 1989 before the effects of the restructuring work their way through to the bottom line at Waterford. Some optimists may have thought it was just a question of installing new machines and pressing the button, but clearly the reforming of craft teams is not something that can be done overnight. The moves to get production costs down were inevitable given the company's dependence on US markets – about 66 per cent of Waterford's output ends up on North American tables – but it is to be commended for taking it on the chin. Wedgwood has clearly been the savior in this half. The shares closed 3p off last night at 102p. Analysts are expecting a better second half and the forecast for the full year is about I£25m.

Cats again tops bill at Really Useful

By Fiona Thompson

Mr Andrew Lloyd Webber's The Really Useful Group yesterday reported pre-tax profits ahead from £5.76m to £6.2m for the year to June 30 1988. Turnover rose from £21.71m to £24.41m.

Theatre production and theatre management (the Palace Theatre) accounted for 90 per cent of both turnover and profits. Cats, with its many productions world-wide, was again the biggest contributor to profits. It produced £4.8m, representing 50 per cent of gross profits. Starlight Express contributed £1.7m and Phantom of the Opera £500,000.

Phantom, which opened on Broadway in January, is grossing £130,000 per week at the box office in London and $500,000 (£298,000) per week in New York. A production in Vienna is scheduled to open this year, with Los Angeles, Toronto and Hamburg set to follow.

The Palace Theatre, which continued to benefit from the hugely successful Les Miserables, generated more than £1m profits.

Mr Lloyd Webber's next major musical, Aspects of Love, is scheduled to open in London next spring. The Really Useful Record Company has completed a deal with Polydor Records guaranteeing it an unprecedented £1m advance for the album record rights to the musical.

Of the non-theatre interests, The Really Useful Picture Company, which makes television commercials and business films, produced profits.

The three other businesses – the record company, Aurum Press and Interactive Information Systems – were not in profit this year, but the board said it was confident that these activities would begin to make an important contribution to results in due course.

Mr Brian Brolly, group managing director, yesterday hailed the recent announcement that Aurum was to publish the autobiography of Lord Whitelaw, former leader of the House of Lords, as a major coup.

Group interest receivable of £439,000 in the latest period compared with £801,000. The tax charge was £2.38m (£2.24m).

Earnings per share rose from 31.9p to 34.9p and a final dividend of 10.[illegible]p was recommended, making 15p (13.25p)

Streamlined Holmes on the trail to expansion

By Andrew Hill

HOLMES PROTECTION Group, the New York-based electronic security company listed in London, increased pre-tax profits from $7.05m to $7.31m (£4.36m) in the six months to June 30.

The central burglar alarm monitoring station in Manhattan was now fully operational. Delays in relocating the stations it was supposed to replace cut Holmes' profits in the second half of 1987 to $5.35m and reduced the full-year profits by 10 per cent.

Mr Brian O'Connor, chairman, said improvement in the operating and financial reporting systems since the end of 1987 produced the desired effect, but Holmes had been advised it would be vulnerable to a bid until the full-year figures demonstrated the benefits of the reorganisation.

He added that takeover speculation was hardly surprising given Holmes' recent history.

By the end of 1988 Holmes should have closed the remaining fully-manned central monitoring stations, reducing staffing costs. Mr O'Connor said the group was also planning to sell its operation in Miami, and was examining the possibility of selling its Philadelphia monitoring station, which would be difficult to update.

In the six months to June 30, sales increased 8 per cent to $31.7m ($29.3m). This reflected continued growth in recurring revenue and the impact of the revised marketing programme.

Earnings per share were static at 10.1 cents, and the interim dividend was pushed up to 1.1 cents (1 cent).

● COMMENT

Holmes' recovery after the unhappy breakdown in financial communications in the second half of last year left the share price unmoved at 103p yesterday. The group is still wreathed in a mist of speculation about a possible takeover bid, but this should not obscure the solidity of the basic business. The potential cost reductions involved in moving from seven fully-staffed monitoring stations to one are obvious. Once Holmes has overcome the turbulent reorganisation, it should be able to build an even larger network in the same area – there is no prospect of geographical expansion – adding small operators to the system quite easily, and so pushing up revenue. Some benefits of the group's centralisation strategy will probably be seen in the full-year figures, for which analysts are forecasting profits of at least $16m before tax. This would put the shares on a modest prospective multiple of between 8 and 9, depending what view one takes on year-end exchange rates.

Brent Chemicals up 12% and demand is strong

By Clare Pearson

BRENT CHEMICALS, diversified speciality chemicals group, increased pre-tax profits by 12 per cent to £5.1m in the first of 1988.

Turnover improved from £36.07m to £39.65m. The company said the underlying sales growth was 12 per cent, after stripping out the 2 per cent increase provided by acquisitions, and adding back in about £200,000 for the adverse effect of exchange rates.

Mr Steve Cuthbert, chief executive, said the second half had started encouragingly, with demand strong.

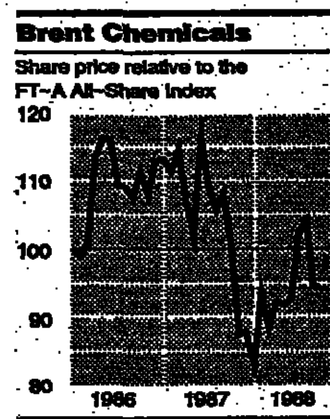
Following two US acquisitions this summer, the electronic industry's share of Brent Chemical's sales is expected to rise to 15 per cent by the end of the year. During the first half, electronics accounted for 12 per cent, civil aviation 16.5 per cent and packaging 25 per cent.

Mr Cuthbert said the company, which last month raised about £12m via a preference share placing, was now hoping to strengthen its base in West Germany through an acquisition. It was also looking across continental Europe at suppliers of electronics chemicals, and wanted to add another supplier to the packaging industry.

Earnings came out at 6p (5.4p) and the interim dividend is increased to 1.25p (1.1p).

● COMMENT

Brent Chemicals displeased the City with its 1987 results, which were hit by a number of special factors, and there was no delight after these numbers. Perhaps this persistent displeasure merely arises because it is difficult for the company to get into growth areas quickly enough. The strategy established a few years ago of building up sales to the packaging, printed circuit board manufacturing, and aerospace and



defence industries certainly seems to be going according to plan. There is encouraging underlying sales growth, with the 12 per cent advance splitting up as to 7 per cent for volume increases, and 5 per cent for price rises. Nevertheless, the recent preference share issue is likely to hold back earnings growth; and with some downgrading of forecasts going on, there seems little reason to get excited about the shares. Assuming pre-tax profits of £11.25m for the full year, the prospective p/e is under 11.

PCT 69% ahead

PCT Group, USM-quoted developer and marketer of power tools, lifting and welding equipment, achieved a 69 per cent rise in taxable profits to £376,000 in the first half of 1988. Turnover rose by 9 per cent to £8.94m.

The interim dividend is lifted to 1.9p (1.6p).

Delaney purchase

Delaney Group, furniture maker and distributor, has agreed to acquire Display and Shop Equipment Group, Birmingham, and two connected companies for an initial £3m. Further consideration to a maximum total of £5m depends on future profits.

For the half year ended June 30 DSE made aggregated profits of £295,000 pre-tax on a turnover of £2.43m. Vendors have warranted profits of £485,000 for the full year.

Delaney also reported that its pre-tax profits for the same half year had risen from £1.16m to £1.23m on turnover £2m ahead at £11.33m – comparisons have been restated. The interim dividend is raised to 1.3p (1.1p) from earnings of 5p (4.7p).

UK COMPANY NEWS

Bryant profits surge to £50m

By Clay Harris

BRYANT Group, the Midlands-based housebuilding and construction company, increased pre-tax profits to £50.1m in the year to May 31, 76 per cent ahead of the £29m reported for 1986-87.

Group turnover rose 29 per cent to £259.7m, of which homes accounted for £170.5m, construction £67m and property £22.2m.

Housebuilding contributed about 75 per cent of operating profits of £48.6m, with property and construction accounting for undisclosed proportions of the rest.

Mr Chris Bryant, chairman, said the housebuilding side had experienced "another splendid year." He was particularly satisified to see a strong resurgence in demand in Bryant's original area of activity, the West Midlands. House sales were split nearly evenly between central and southern England.

During the year, Bryant sold 2,150 houses at an average price of £81,000 against 2,000 at an average price of £61,000 in 1986-87. In the current year, it expects sales to rise to 2,300 and the average price to approach £100,000.

Bryant's directly owned land bank shrank from 8,000 to 7,600 plots during the year, although sites held by associate companies rose to 2,300 from 1,300. Mr Bryant said the group had held back on land purchases because of what it considered to be inflated prices.

As a result, gearing fell from 13 per cent to 12 per cent by the year end, and interest payments dropped to £400,000 (£1.7m). Since May 31, however, Bryant had stepped up its land purchases, raising current gearing to 30 per cent.

The Pavilions retail development in the centre of Birmingham contributed £7.5m (£3m) in profits in the year. This leaves at least £5.5m to come, based on Bryant's forecast during its successful bid defence against English China Clays in 1987. ECC still holds 29.9 per cent of Bryant.

Chris Bryant - housebuilding had another splendid year

Earnings per share advanced 65 per cent to 16.2p (9.8p). A final dividend of 3.1p (2p) will raise the total by 56 per cent to 4.3p (2.75p).

● COMMENT

Until recently, Bryant was on the fringe of the hottest residential property market and was playing catch-up to shift its focus towards the south-east from the unfashionable Midlands. By yesterday, it was boasting that it had no exposure at all inside the M25, London's orbital motorway. Indeed, Bryant appears to have positioned itself just right for the shakier housing market in immediate prospect – with limited exposure to first-time buyers and none in overheated London. Assuming pre-tax profits of £58m, the shares stand on a prospective p/e of 7 and are as attractive as any in the sector. Moreover, by increasing cover for 1987-88, Bryant has left itself healthy leeway to give dividends a kick when earnings growth slows.

All-round sales rise lifts Memec

IMPROVED sales in all geographical areas enabled Memec (Memory and Electronic Components) to push up its profit by 27 per cent in the six months ended June 30 1988.

This distributor of electronic components and microprocessor systems showed turnover up by 27.5% to £40.42m (£31.7m) and a pre-tax profit of £4.1m (£3.2m). Earnings were 3.74p (6.98p) and the interim dividend is lifted to 1.4p (1.125p).

The directors said expansion continued and the second half started with order backlogs at record levels and with all geographical areas in profit.

Blue Arrow buy

Blue Arrow, the world's largest employment agency, is buying Roco, a recruitment agency specialising in the supply of heavy goods vehicle drivers.

Roco, which will become part of Blue Arrow's Extrastaff operation, made pre-tax profits of £249,000 on turnover of £2.9m last year. The initial consideration will be £1.6m – £1m in cash and the rest in Blue Arrow shares – with further payments dependent on future profits.

Yelverton loss

Yelverton Investments, USM-quoted investment company, swung from profits of £222,696 to losses of £2,793 pre-tax for the half year ended April 30 1988. Loss per 5p share of 0.08p compared with previous earnings of 1.24p. At April 30 net asset value per share totalled 46.1p (42.5p).

Huntleigh doubles

Huntleigh Technology, USM-quoted maker of instrumentation and control systems, raised pre-tax profits from £138,000 to £277,000 in the first half of 1988. The result was achieved on turnover ahead 25 per cent to £6.64m.

Interest payable doubled to £106,000 and after tax of £79,000 (£49,000), earnings advanced to 2.39p (1.11p) per 5p share. There is no interim dividend (0.5p).

Conder at £1.75m

Strong organic growth together with a first-time contribution from Elemeta enabled Conder Group, property developer, to lift its profits from £1.01m to £1.75m pre-tax for the half year to June 30.

Turnover rose to £78.84m (£55.31m).

Earnings amounted to 19p (11.5p) and the interim dividend is being lifted by 1p to 3p.

Pennant plans Bay sale

By Graham Deller

PENNANT PROPERTIES, formerly Country and New Town Properties and now 49.9 per cent owned by Pennant Holdings of Australia, has begun proceedings to sell its unhappy investment in Boston-based Bay Financial Corporation.

Announcing results for the 17 months to end-June showing taxable profits of £8.1m, against a restated £6.35m for the year to January 31 1987, the group revealed that it had commenced negotiations to sell its holding in Bay to John Holland, construction associate of Pennant Holdings.

Mr Brian Johnson, executive chairman, said the holding had been a major problem with a high level of borrowings and carrying costs. A charge of £12.76m to write down the investment to its stated fair market value was taken below the line. Gearing would fall to around 75 per cent following the sale, he added.

Commenting on the results, Mr Johnson said: "In less than 12 months, Pennant Properties has been transformed from a company with excessive borrowings and an unclear business strategy, to one which now has in place the management, resources and associations necessary to meet clearly defined objectives."

Rental income rose to £12.13m (£9.55m). Earnings per 10p share were 18.2p (8.4p) and a proposed final dividend of 2p makes 2.7p (2.25p).

Colorgraphic ahead 63% in first half

Strong demand throughout its operations enabled Colorgraphic Group, USM-quoted direct response market printer, to lift pre-tax profits by 63 per cent to £1.22m in the first half of 1988.

Mr Nick Winks, chief executive, said that the performance had been augmented by a three-month contribution from Blackwood Pillans & Wilson, acquired in April. Net margins were higher than last year having been helped by reduced interest payments but diluted by the inclusion of BPW.

Sales improved 41 per cent to £15.57m. Earnings per share were 7p (5.6p) and the interim dividend is 1.66p (1.33p).

Ernest Green advances to over £2m

Reflecting expansion geographically and in the range of services, Ernest Green and Partners Holdings lifted its turnover 51 per cent and pre-tax profit 33 per cent in the year to June 30 1988.

This USM quoted group operates as a consulting structural and civil engineer. The main subsidiary derived half of its turnover from a wide range of both projects and clients, and half from the retail sector.

Turnover came to £8.16m (£5.39m) and profit to £2.16m (£1.62m). With earnings up to 18.4p (14p) the final dividend is 3p for a 4.75p (4p) total.

Mr David Legg, chairman, said prospects were good. Order book was a record and all offices were working at full capacity.

Jacks up midway

William Jacks, Berkshire-based motor dealer, revealed taxable profits of £511,000, up from £405,000, in the six months to end-July.

The outcome, achieved on turnover of £24.46m (£22.25m), demonstrated the stability of the quality car market – Jacks' franchises include Jaguar, BMW and Mercedes – and the directors expect demand to remain strong for the rest of the year.

An interim dividend of 0.9p (0.8p) will be paid from earnings per share of 3.16p, up from 2.72p last time.

Easthome purchase

Easthome, expanding East Anglian housebuilder, has acquired TH Blyth and Sons, a small private Norfolk-based building construction company, for an undisclosed sum. Blyth has been operating in the area since 1873. All 43 employees will be retained.

Easthome was itself acquired more than two years ago by Merivale Moore, the London-based property developer and investor. Merivale recently announced a 52 per cent rise in pre-tax profits to £9.6m on sales of £30.5m.

Mr Charles Duthie, Easthome managing director, said the company's aim was to build 400 houses per year in East Anglia.

Armour Trust rises

Armour Trust showed a near 26 per cent increase in profit to £1.5m, in the year ended April 30 1988, and has made a positive start to the current year.

Mr Andrew Balcombe, chairman, said the group was well positioned in its markets – automotive accessories, confectionery, and electronic components – and trading conditions were currently encouraging. He looked for another period of significant progress.

Turnover in the year rose 24 per cent to £19.33m (£15.62m). With earnings at 4.5p (3.4p) the final dividend is 0.709p for a total of 0.909p (0.606p).

Rural climbs 39%

The confident note in the chairman's statement in May has been borne out by interim results of USM-quoted Rural Planning Services. These show a 39 per cent pre-tax profits rise from £238,800 to £331,649, on turnover almost doubled at £1.03m, against £538,000.

Earnings per share increased 37.5 per cent from 2.4p to 3.3p and there is an interim dividend of 1p - last year's single final was also 1p.

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar and pound above worst

LACK OF fresh factors led to very quiet trading on the foreign exchanges yesterday.

The dollar opened on a weak note in Europe, after drifting lower in Tokyo. It then tended to move slowly higher, hovering around the DM1.87 level throughout, but finishing weaker on the day. Trading was generally confined to commercial transactions.

It closed in London at DM1.8695, compared with DM1.8760 on Friday. The dollar also fell to Y133.55 from Y134.25; to SFr1.5795 from SFr1.5835; and to FFr6.3525 from FFr6.3775.

On Bank of England figures the dollar's exchange rate index fell to 99.4 from 99.6.

The US Federal Reserve open market committee meets today, but is not expected to alter its monetary stance. Recent economic news has not pointed to any need for tighter policy, and with the dollar holding steady, the market is not looking for any change of course until after the US Presidential election in November.

Later this week dealers will look for comments from finance ministers attending a Group of Seven meeting in West Berlin. The main point of interest is likely to centre on the dollar's recovery against the D-Mark this year, and whether this will lead to any policy disagreement between the US and West Germany.

This is generally regarded as unlikely however, with the G7 continuing to endorse a policy of stability on the foreign exchanges without proposing any fresh measures.

Dealers are reluctant to take out positions however on fear that ministers could use the platform of a G7 meeting to make comments resulting in a shift of sentiment.

Trading in sterling was equally subdued, ahead of important economic news. Weak oil prices, with North Sea Brent crude quoted at under $13 a barrel, added to the general mood of nervousness.

Today's money supply and bank lending figures for August are awaited with apprehension, and providing this hurdle is cleared without too much difficulty, the market will then wait with equal trepidation for next Tuesday's news on the UK August trade balance.

Recent news on inflation has not been encouraging, and dealers will wish to see some improvement in the general economic picture before believing that sterling can maintain its present value, even though the currency is supported by very high interest rates.

The pound opened weaker against the D-Mark, and touched a low of DM3.1325. Sterling then moved up slowly, but still finished lower on the day, at DM3.1375, compared with DM3.1450 on Friday.

Sterling was also depressed against other major currencies, apart from the dollar. It rose to $1.6785 from $1.6755, but fell to Y224.25 from Y225.00; to SFr2.65 from SFr2.6525; and to FFr10.6625 from FFr10.6850.

According to the Bank of England, the pound's exchange rate index fell 0.1 to 75.2.

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EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sept.19	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4687	+2.36	+1.02	±1.5344
Danish Krone	7.85212	7.95092	+1.26	-0.08	±1.5404
German D-Mark	2.05853	2.07279	+0.69	-0.65	±1.0981
French Franc	6.90403	7.04346	+2.02	+0.68	±1.3674
Dutch Guilder	2.31943	2.33888	+0.84	-0.50	±1.5012
Irish Punt	0.768411	0.772010	+0.47	-0.87	±1.6684
Italian Lira	1483.58	1545.28	+4.16	+3.35	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Sept.19	Latest	Previous Close
£ Spot	1.6770-1.6775	1.6785-1.6795
1 month	0.46-0.45pm	0.49-0.48pm
3 months	1.55-1.53pm	1.55-1.54pm
12 months	5.22-5.17pm	5.23-5.18pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sept.19	Previous
8.30 am	75.3	75.4
9.00 am	75.3	75.3
10.00 am	75.2	75.3
11.00 am	75.2	75.3
Noon	75.2	75.3
1.00 pm	75.2	75.3
2.00 pm	75.3	75.3
3.00 pm	75.3	75.3
4.00 pm	75.3	75.4

POUND SPOT- FORWARD AGAINST THE POUND

Sept.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6735 - 1.6805	1.6780 - 1.6790	0.48-0.45cpm	3.32	1.56-1.51cpm	3.66
Canada	2.0420 - 2.0530	2.0475 - 2.0485	0.29-0.21cpm	1.46	0.88-0.76pm	1.60
Netherlands	3.53¾ - 3.54¾	3.53¾ - 3.54¾	1⅝-1½cpm	6.14	5⅝-5½pm	6.28
Belgium	65.60 - 65.90	65.75 - 65.85	27-21cpm	4.38	79-70pm	4.53
Denmark	12.01 - 12.04¼	12.03¾ - 12.04¾	4⅞-3½orepm	3.86	12-11pm	3.82
Ireland	1.1655 - 1.1725	1.1680 - 1.1690	0.43-0.38ppm	4.16	1.41-1.29pm	4.52
W. Germany	3.13 - 3.14	3.13½ - 3.14	1⅞-1¾pfpm	6.22	5⅝-5¼pm	6.85
Portugal	257.75 - 259.55	258.00 - 259.00	14-50cdis	-1.49	24-111dis	-1.04
Spain	208.80 - 209.80	209.10 - 209.40	28-14cpm	1.20	90-72pm	1.55
Italy	2333¾ - 2341¼	2339 - 2340	1¼dis-5lirepm	0.83	6-2pm	0.68
Norway	11.57½ - 11.61¼	11.60¼ - 11.61¼	⅞-1½oredis	-1.23	2⅞-3¾dis	-1.14
France	10.63¾ - 10.66¾	10.65¾ - 10.66¾	3⅞-3⅜cpm	4.01	11½-10¾pm	4.17
Sweden	10.78¼ - 10.80¼	10.79¼ - 10.80¼	1⅞-⅞orepm	1.25	5-4¼pm	1.71
Japan	223¾ - 224¾	223¾ - 224¾	1⅝-1⅛ypm	6.38	4-3¾pm	6.94
Austria	22.01 - 22.10	22.07 - 22.10	12¾-11⅛gropm	6.45	36½-34½pm	6.45
Switzerland	2.64½ - 2.65½	2.64½ - 2.65½	2-1¾cpm	8.49	5¾-5½pm	8.49

Belgian rate is convertible francs. Financial franc 66.60-66.70. Six-month forward dollar 2.98-2.91cpm 12 months 5.25-5.15cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sept.19	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6735 - 1.6805	1.6780 - 1.6790	0.48-0.45cpm	3.32	1.56-1.51cpm	3.66
Ireland†	1.4340 - 1.4365	1.4350 - 1.4360	0.10-0.15cdis	-1.04	0.28-0.38dis	-0.92
Canada	1.2180 - 1.2240	1.2190 - 1.2200	0.18-0.20cdis	-1.87	0.62-0.65dis	-2.08
Netherlands	2.1060 - 2.1120	2.1095 - 2.1105	0.48-0.46cpm	2.67	1.44-1.40pm	2.69
Belgium	39.10 - 39.25	39.15 - 39.25	4.50-2.50cpm	1.07	10.50-6.50pm	0.87
Denmark	7.16 - 7.18	7.17¼ - 7.17¾	0.45-0.15orepm	0.50	0.45-0.15pm	0.17
W. Germany	1.8665 - 1.8725	1.8690 - 1.8700	0.51-0.48pfpm	3.18	1.54-1.49pm	3.24
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

CURRENCY RATES

Sept.19	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	[illegible]	0.770030	0.660914
U.S. Dollar	6.50	1.29188	1.10968
[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY MOVEMENTS

Sept.19	Bank of England Index	Morgan Guaranty Changes %
Sterling	75.2	-24.4
U.S. Dollar	99.4	-9.5
[illegible]	[illegible]	[illegible]

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100).

OTHER CURRENCIES

Sept.19	£	$
[illegible]	[illegible]	[illegible]

*Selling rate

EURO-CURRENCY INTEREST RATES

Sept.19	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅛-9⅜ per cent; three years 9⅛-9⅜ per cent; four years 9⅝-9⅞ per cent; five years 9⅞-10⅛ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Sept.19	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Bond prices lose ground

SHORT STERLING futures lost ground in yesterday's Liffe market, as investors took fright ahead of today's figures on UK bank lending for August. Despite the sombre note, the December contract failed to show a convincing break through support at 87.55. Although it finished at the day's low of 87.54, there was no evidence of any stop loss selling being triggered, and with cash rates virtually unchanged, futures prices were already some way towards discounting further upward pressure on bank base rates.

The December price opened at 87.64, down from 87.66 on Friday, and eased to a closing low of 87.54.

Gilt prices also finished on a weaker note. The December price slipped to 93-10 at the close, from an opening level of 93-15.

Trading volume in US bond futures was generally lacklustre. A slightly firmer tone after the opening, underpinned by falling oil prices, failed to attract any follow through

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE £/$ OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE EURODOLLAR OPTIONS

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LIFFE SHORT STERLING

Strike Price	Calls-settlements		Puts-settlements	
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

PHILADELPHIA SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON SE £/$ OPTIONS

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON (LIFFE)

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CHICAGO

	Latest	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CURRENCY FUTURES

	Close	High	Low	Prev.
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROPEAN OPTIONS EXCHANGE

Series		Nov. 88 Vol	Nov. 88 Last	Feb. 89 Vol	Feb. 89 Last	May 89 Vol	May 89 Last	Stock
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NEDLLOYD P	Fl. 200	25	0.90	-	-	-	-	Fl 221
NAT NED. C	Fl. 70	55	0.30	41	1.50	-	-	Fl 63.30
NAT.NED. P	Fl. 60	33	0.50	5	1.80	-	-	Fl 63.30
PHILIPS C	Fl. 40	-	-	65	0.50 B	22	1	Fl. 32.50
PHILIPS P	Fl 35	30	2.80	2	3.70	34	5	Fl 32.50
ROYAL DUTCH C	Fl. 230	995	3.30	118	8.60 B	60	12.50	Fl 226.20
ROYAL DUTCH P	Fl. 240	285	14.50	225	15.50	-	-	Fl. 226.20
UNILEVER C	Fl. 120	174	1.10	64	4	40	6.60	Fl. 114.70
UNILEVER P	Fl. 120	4	6.80	152	9	-	-	Fl 114.70
VAN OMMEREN C	Fl. 35	-	-	4	0.80	162	1.40	Fl 29.50
VAN OMMEREN P	Fl. 30	-	-	119	1.80	1	2.20	Fl 29.50

TOTAL VOLUME IN CONTRACTS . 21,158

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%
ABN Bank	12
Adam & Company	12
AAB - Allied Arab Bk	12
Allied Irish Bank	12
● Henry Ansbacher	12
ANZ Banking Group	12
Associates Cap Corp	12
Authority Bank	12
● B & C Merchant Bank	12
Banco de Bilbao	12
Bank Hapoalim	12
Bank Leumi (UK)	12
Bank Credit & Comm	12
Bank of Cyprus	12
Bank of Ireland	12
Bank of India	12
Bank of Scotland	12
Banque Belge Ltd	12
Barclays Bank	12
Benchmark Bank PLC	12
Berliner Bank AG	12
Brit Bk of Mid East	12
● Brown Shipley	12
Business Mtge Tst	12½
CL Bank Nederland	12
Central Capital	12
● Charterhouse Bank	12
Citibank NA	12
City Merchants Bank	12
Clydesdale Bank	12
Comm. Bk. N. East	12
Co-operative Bank	*12
Coutts & Co	12
Cyprus Popular Bk	12
Dunbar Bank PLC	12
Duncan Lawrie	12
Equatorial Bank plc	12
Exeter Trust Ltd	12½
Financial & Gen. Bank	12
First National Bank Plc	13
● Robert Fleming & Co.	12
Robert Fraser & Ptnrs.	12½
Girobank	12
● Guinness Mahon	12
HFC Bank plc	12
● Hambros Bank	12
Heritable & Gen Inv Bnk	12
● Hill Samuel	§12
C. Hoare & Co.	12
Hongkong & Shangh	12
● Leopold Joseph & Sons	12
Lloyds Bank	12
Meghraj Bank Ltd	12
McDonnell Douglas Bnk	12.5
Midland Bank	12
Mount Bnkg Corp.	12
Nat Bk. of Kuwait	12
NatWestminster	12
Northern Bank Ltd	12
Norwich Gen. Trust	12
PRIVATbanken Limited	12
Provincial Bank PLC	13
R. Raphael & Sons	12
Roxburghe G'rantee	11½
Royal Bk of Scotland	12
Royal Trust Bank	12
● Smith & Williamson Secs.	12
Standard Chartered	12
TSB	12
UDT Mortgage Exp	‡12.75
United Bk of Kuwait	12
United Mizrahi Bank	12
Unity Trust Bank Plc	12
Western Trust	12
Westpac Bank Corp.	12
Whiteaway Laidlaw	12½
Yorkshire Bank	12

● Members of British Merchant Banking & Securities Houses Association. * 7 day deposits 4.38% Sarewise 7.16%. Top Tier-£10,000+ Instant access 9.0% ‡ Mortgage base rate. § Demand deposit 7%. Mortgage 12.375% - 12.75%

COMPANY NOTICES

GOLD FIELDS OF SOUTH AFRICA LIMITED

(Incorporated in the Republic of South Africa)

A MEMBER OF THE GOLD FIELDS GROUP

(Registration No. 05/04181/06)

DECLARATION OF DIVIDEND (No. 81)

UNITED KINGDOM CURRENCY EQUIVALENT

In accordance with the standard conditions relating to the payment of dividend No. 81 declared on 16 August 1988, payments from the office of the United Kingdom Registrar will be made in United Kingdom currency at the rate of exchange of R4.0873 South African currency to £1 United Kingdom currency, this being the first available rate of exchange for remittances between the Republic of South Africa and the United Kingdom on 12 September 1988 as advised by the Company's South African bankers.

The United Kingdom currency equivalent of the dividend (No. 81) of 125 cents per Ordinary share is therefore 30.582536 pence per share.

By order of the Board,
per pro CONSOLIDATED GOLD FIELDS PLC.
London Secretaries,
Mrs. G.M.A. Gledhill, Secretary.

London Office:
31 Charles II Street,
St. James's Square,
London, SW1Y 4AG.

United Kingdom Registrar:
Hill Samuel Registrars Limited,
6 Greencoat Place,
London, SW1P 1PL.

14 September 1988

RAND MINES GROUP

ANNUAL GENERAL MEETINGS

NOTICE IS HEREBY GIVEN that the annual general meetings of the undermentioned companies will be held in the auditorium, lower ground floor, The Corner House, 63 Fox Street, Johannesburg on the dates and at the times shown:

Name of Company (both of which are incorporated in the Republic of South Africa)	Date of Meeting	Time of Meeting	Closure dates of Registers of Members (inclusive)
BLYVOORUITZICHT GOLD MINING COMPANY LIMITED (Registration No.05/09743/06)	14.10.88	12h00	8th to 14th October 1988
HARMONY GOLD MINING COMPANY LIMITED (Registration No.05/38232/06)	14.10.88	11h00	11th to 15th October 1988

Registered Office:
15th Floor, 63 Fox Street
Johannesburg 2001
(P O Box 62370
Marshalltown 2107)

By order of the Boards
V M MURTON
Administrative Manager and Secretary

12th September 1988

Members of the Barlow Rand Group

MONEY MARKETS

London rates steady ahead of UK data

INTEREST RATES were barely changed in London yesterday, as traders awaited today's release of UK bank lending and money supply data for August. These are expected to determine the short-term outlook on interest rates. A further rise in bank lending and the narrowly defined M0 is likely to create renewed upward pressure on clearing bank base rates.

Interbank rates yesterday were little changed however, with the three-month rate at 12¼-12⅛ p.c., the same as on Friday. The one year rate was also unchanged at 12⅝-12½ p.c. Overnight money opened at around 10½ p.c. and eased to a low of 9 p.c., before finishing at 10½ p.c. bid.

The Bank of England forecast a surplus of around £300m, with factors affecting the market including repayment of any late assistance and bills maturing in official hands, together with a take up of Treasury bills draining £100m. Exchequer transactions drained a further £140m. These were more than offset by a fall in the note circulation of £510m, and banks' balances brought forward £20m above target.

The forecast was revised to a surplus of around £250m, but there was no intervention by the Bank during the morning. In the afternoon, a further revision took the forecast to a surplus of around £200m, and the Bank took out a bulk of the surplus by selling £195m of Treasury bills at 10⅝-10¾ p.c., maturing on Thursday.

Interest rates in Frankfurt were slightly easier, in anticipation of a new twin sale and repurchase offer. The Bundesbank is expected to announce a fresh facility today, partly on a fixed rate basis and partly on a competitive tender. Successful applicants will receive their allocations tomorrow, replacing maturities of DM18.1bn.

The softer tone in call money was helped by a roll-over of Friday's injection of funds through state-owned banks. However some dealers suggested that the supply of short-term liquidity may come under further pressure, as many major corporate tax payments have yet to be concluded.

UK clearing bank base lending rate 12 per cent from August 25 & 26

FT LONDON INTERBANK FIXING

(11.00 a.m. Sept.19)	3 months US dollars		6 months US Dollars	
	bid 8⅝	offer 8¾	bid [illegible]	offer [illegible]

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

		Treasury Bills and Bonds	
Prime rate	[illegible]	One month	[illegible]
Broker loan rate	[illegible]	Two month	[illegible]
Fed.funds	[illegible]	Three month	[illegible]
Fed.funds at intervention	[illegible]	Six month	[illegible]
		One year	[illegible]
		Two year	[illegible]

Sept.19	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Paris	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Zurich	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amsterdam	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tokyo	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Milan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Brussels	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dublin	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

LONDON MONEY RATES

Sept.19	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Interbank Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Deps.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Local Authority Bonds	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Discount Mkt Deps	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Company Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finance House Deposits	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Treasury Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fine Trade Bills (Buy)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dollar CDs	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SDR Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Offer	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU Linked Dep Bid	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Treasury Bills (sell): one-month 11⅛ per cent; three months 11⅛ per cent; Bank Bills (sell): one-month 11⅛ per cent; three months 11⅛ per cent; Treasury Bills; Average tender rate of discount 11.1348 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day Aug.31, 1988. Agreed rates for period September 26, 1988 to October 25, 1988, Scheme I: 12.27 p.c., Schemes II & III: 12.72 p.c. Reference rate for period July 30, 1988 to August 31, 1988, Scheme IV&V: 11.364 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11 from September 1, 1988: Bank Deposit Rates for sums at seven days notice 3.75 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5, 1988. Deposits withdrawn for cash 5 per cent.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
American Income	6	44.20	44.72xd	47.57	+0.41	5.76
Gilts & Fixed Int.	6	109.6	109.6xd	116.3	+0.1	8.60
High Inc Equity	6	113.1	113.1xd	121.0	+0.5	4.92
Worldwide Bond	6	192.6	192.6	204.1	-1.1	4.75
Capital Growth						
American Growth	6	154.2	156.3	166.2	+0.5	0.97
Asian Pacific	6	70.47	72.01	76.60	-0.31	2.41
Assets & Earnings	6	133.6	133.6	142.9	+0.1	1.27
Capital Reserve Acc	0	79.67	79.67	79.86	+0.01	3.76
Comdty & Energy	6	89.12	89.12xd	95.32	-1.14	0.00
European Capital	6	72.68	73.16	77.82	+0.3	0.96
General	6	155.7	158.7xd	168.8	+1.4	2.67
Japan	6	91.60	91.60	97.97	-0.25	0.00
Mastertrust	6	72.06	72.06	77.07	+0.16	2.11
UK Growth Acc	6	173.1	173.1	184.2	+0.1	1.24
UK Growth Dist	6	117.4	117.4	124.9	-0.1	1.83
US Emerging Cos	6	44.02	44.02	47.09	+0.05	0.00
Income & Growth	6	249.6	254.8	271.0	+2.6	3.51

Asset Unit Trust Mngrs Ltd (0900)F
Pl'n'le Hse, Fenchurch St, London EC3 01-220 7251

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Sept 9	5	102.28	102.28	106.55	.....	1.90
Income Sept 9	5	96.17	98.03xd	104.57	.....	5.55

Baillie Gifford & Co Ltd (1430)H
3 Glenfinlas St, Edinburgh 031-226 6066

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Japan Expt Sep 14	2	515.3	515.3	533.3	.....	-
UK Exempt Sep 15	5	356.7	368.2	391.7	.....	0.39
Mngd Expt Sep 15	5	99.13	100.3	106.7	.....	2.85
BG Japan	5	219.8	219.8	233.8	+0.9	-
BG America	5	120.5	120.5xd	128.1	-0.3	0.40
BG Technology	5	184.3	184.3	196.0	+1.5	-
BG Energy	5	210.3	210.3	223.7	+1.9	1.56
BG Income Gwth	5	236.2	239.5xd	256.1	+0.3	5.45
BG Europe	5	100.3	100.3	106.7	+0.3	1.71
BG Conv & Gen	5	62.44	64.15xd	68.24	-0.13	7.82
BG British Gwth	5	37.90	37.90	40.31	+0.01	0.71

Bank of Ireland Fund Mgrs Ltd (1200)F
36 Queen St, London, EC4R 1BN 01-236 4210

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Brit & O'seas	5	127.4	132.8	140.6	+0.1	1.73
Income Plus	5	64.08	69.74	73.90	.....	3.28
Inv Trusts	5	70.37	76.35	80.80	.....	1.28
Capital Gwth	5	62.98	67.65	71.59	.....	3.37
W'wide Opps	5	66.93	68.88	72.89	.....	2.74

Barclays Unicorn Ltd (1000)H
Unicorn Hse, 252 Romford Rd, E7 01-534 5544

Anderson Unit Tst Mgrs Ltd (1200)F
62 London Wall, London, EC2R 7DQ 01-638 1200

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Tst	2	196.8	201.7	206.9	.....	2.25
High Income Tst	5	35.96	36.29	38.61	.....	5.81
Intl Recovery Acc	5	38.79	40.11	43.13	.....	1.32
Intl Recovery Inc	5	28.29	29.26	31.46	.....	1.32

Anthony Wieler Unit Tst Mgmt Ltd (1000)F
19 Widegate St, London E1 7HP 01-377 1010

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Income	5	102.1	104.7	111.4	+1.5	1.4
Do Accum	5	143.6	147.2	156.6	+2.1	1.4
Quarterly Income	5	52.07	53.67	57.10	+1.7	7.0

Arkwright Management (1400)F
1 King St, Manchester M60 3AH 061-832 0242

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Growth Sept 13	5	90.59	90.59	96.37	.....	2.41
Income Sept 13	5	44.99	44.99	47.87	.....	5.14

Buckmaster Mangmt Co Ltd (1200)H
The Stock Exchange, London EC2P 2JT 01-588 2868

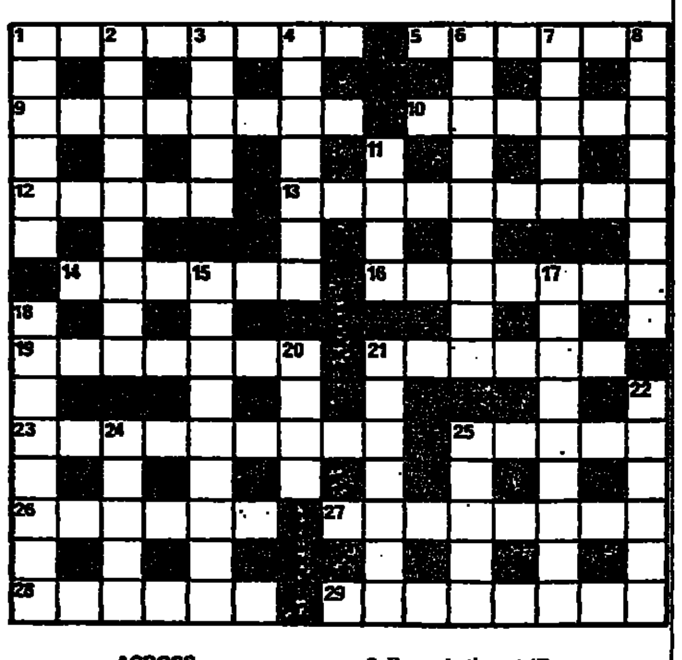
	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Emerging Gwth	5	57.87	59.37	62.99	+0.19	1.75
(Accum Units)	5	58.31	59.81	63.46	+0.19	1.75
Fellowship Tst	5	58.11	59.73xd	63.37	+0.09	1.88
(Accum Units)	5	59.22	60.87xd	64.58	+0.09	1.88
General Inc	5	249.5	249.5	263.8	-0.5	3.25
(Accum Units)	5	412.1	412.1	435.8	-0.5	3.25
Income	5	130.4	134.9	143.1	+0.5	4.70
(Accum Units)	5	245.8	254.0	269.5	+0.9	4.70
International	5	105.0	105.0	111.0	+0.4	1.80
(Accum Units)	5	142.2	142.2	150.4	+0.4	1.80
Smaller Co's	5	94.56	96.89	102.8	+1.24	1.82
(Accum Units)	5	102.7	105.3	111.7	+1.3	1.82
Inv Portfolio	2½	46.49	47.99	49.49	+0.11	4.00

London & Manchester (Tst Mgmt) Ltd (1000)H
Winslade Park, Exeter EX5 1DS 0392 282673

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American	5	30.29	30.64	32.53	-0.17	0.8
General	5	46.95	47.22	50.13	-0.44	3.7
Income	5	42.26	42.69xd	45.32	-0.38	6.1
International	5	35.42	35.75	37.95	-0.14	0.9
Japan	5	50.80	51.05xd	54.19	-0.05	-
Tst of Inv Trusts	5	34.91	35.70	37.90	-0.16	2.0

CROSSWORD

No. 6,738 Set by VIXEN



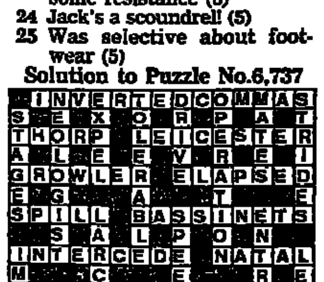
ACROSS

1 "As headstrong as an ---- on the banks of the Nile" (Sheridan) (8)
5 He wants some good fitted wardrobes (6)
9 Repeatedly rigid – it's cramp (8)
10 A man writing copy in quarters (6)
12 Birds to shoot (5)
13 Bury sets about building concerns (9)
14 Contribution expected? Keep calm! (6)
16 Cricketers back 11 down guys (7)
19 Getting irate in forced inactivity (7)
21 Correspondence for one in a political association (6)
23 Removing the importuner grabbing a sovereign (6,3)
25 Honoured companion in the Orient showing backbone (5)
26 Raises pounds in new taxes (6)
27 Resort where a service body studies (8)
28 Reliable firm (6)
29 Snarled on finding English working men dropped (8)

DOWN

1 Stop an artist turning up before others (6)
2 The French studies result in weariness (9)
3 Raven's throat (5)
4 About a hundred dash for lounge (7)
6 Doctor or cadet or painter (9)
7 A soubriquet one must enter unfortunately (5)
8 Getting into gear (8)
11 Cut in the past – a bad move (4)
15 Noted date perhaps when let off (9)
17 The leading lady (9)
18 Record minor finds indifferent (8)
20 A cat – tiny little thing (4)
21 An Irishman wanting rent fixed for example (7)
22 Being fed-up, aim to offer some resistance (6)
24 Jack's a scoundrel! (5)
25 Was selective about footwear (5)

Solution to Puzzle No.6,737



GUIDE TO UNIT TRUST PRICING

The data included under the Authorised section of the FT Unit Trust Information pages is being expanded to improve the service to readers and to conform with new legislation.

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ▼ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♦ - 1401 to 1700 hours; ♦ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that prices are set on a historic basis. This means that, unless there has been an intervening portfolio revaluation, investors can normally buy and sell units today at the prices appearing in the newspaper which have been set on the basis of yesterday's asset value.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.
Other explanatory notes are contained in the last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants SP10 1RE 0264 63434

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	5	101.11	101.11	107.50	+0.46	2.10
Do Accum	5	108.52	108.52	115.38	+0.50	2.10
TSB Brit Growth	5	52.21	52.21	55.54	-0.29	3.41
Do Accum	5	54.63	54.63	58.12	+0.48	3.41
TSB European	5	50.36	50.36	53.51	+0.40	1.15
Do Accum	5	51.52	51.66	54.96	+0.41	1.15
TSB Extra Income	5	140.15	141.99	151.05	+0.85	5.99
Do Accum	5	180.91	183.28	194.98	+1.10	5.99
TSB Smaller Cos	5	51.47	51.47	54.76	-1.69	1.25
Do Accum	5	52.39	52.39	55.73	-1.72	1.25
TSB General	5	171.21	171.21	182.14	+1.71	3.44
Do Accum	5	296.35	296.35	315.27	+2.95	3.44
TSB Gilt & Fxd Int	3¼	46.73	46.73	48.39	+0.08	9.12
Do Accum	3¼	70.56	70.56	72.97	+0.03	9.12
TSB Income	5	251.27	251.27	267.31	+1.62	5.29
Do Accum	5	420.00	420.00	446.81	+2.71	5.23
TSB Pacific	5	204.99	206.15	219.31	-0.31	0.32
Do Accum	5	213.13	214.34	228.02	-0.32	0.32
TSB International	5	322.80	322.80	344.27	+1.67	1.05
Do Accum	5	406.05	406.05	433.06	+2.18	1.03
TSB Nat Resources	5	59.50	60.09	63.93	-0.30	1.43
Do Accum	5	62.54	63.17	67.20	-0.38	1.43
TSB Sicud Opps	5	76.36	76.36	81.23	+0.40	2.46
Do Accum	5	87.14	87.14	92.70	+0.47	2.46

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0860

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	64.36	64.36	68.83	+0.24	0.86
Australia	5	7.332	7.332	7.853	-0.28	0.70
Commodity	5	73.07	73.07	78.91	-0.54	0.63
Convertible	5	138.2	138.2	151.1	+0.1	5.06
Equity	5	142.7	142.7	154.1	+0.1	3.39
Euro Spec Sits	5	77.88	77.88	83.69	+0.63	1.63
Financial	5	29.71	29.71	32.20	+0.20	2.12
Global Opps Inc	5	55.63	55.63	60.00	+0.30	0.65
Global Opps Acc	5	55.63	55.63	60.00	+0.30	0.65
Gold Income	5	47.98	47.98	51.36	-0.69	0.00
Gold Acc	5	88.37	88.37	94.60	-1.64	0.00
Income	5	99.90	99.90	107.4	+0.2	4.72
Japan	5	119.7	119.7	128.8	—	0.00

MIM Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Mngd Pens (Acc)	53.2	56.7	-0.2	0.00

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Expt Sept 14	39.9	41.4	—	2.30
Euro Expt Sept 14	39.8	41.7	—	2.73
Fixed Int Ex Sept 14	48.1	50.4	—	9.72
Japan Expt Sept 14	52.4	54.5	—	0.47
Managed Ex Sept 15	37.5	39.0	—	4.68
SE Asia Expt Sept 14	94.4	98.2	—	1.98
Sm Cos Expt Sept 14	42.5	44.6	—	2.81
UK Eqty Ex Sept 14	34.3	36.0	—	4.23

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gr's
NC Property	189.5	199.5	—	—

Phillips & Drew Fnd Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
PDFM Small Co Fd	771.0	817.0	—	3.75
Do Accum	796.0	844.0	—	3.75
PDFM Int Expt Sept 15	126.3	128.3	—	2.69

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Exempt	91.60	92.75	—	2.98

INSURANCES

AA Friendly Society
(Investment Mngt M & G Inv Mngt Ltd)
AA Friendly Sy Sept 8 — 134.9

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gr's
Prop. Ser. 1	257.6	271.2	—	—
Equity Ser. 1	111.5	117.4	+0.8	—
Prop. Acc. Ser 2	373.1	392.8	—	—
Equity Ser 2	126.5	133.2	+0.8	—

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
252 High Holborn, London WC1V 7EB 01-405 8441				
Prop Dist. (Gross)	174.4	183.6	-	-
Prop Acc. (Gross)	282.5	297.4	-	-
Equity (Gross)	639.6	673.3	+4.0	-
Managed (Gross)	461.7	486.0	+2.0	-
Prop Acc. (Net)	130.6	137.5	+0.1	-
Equity (Net)	150.4	158.4	+0.7	-
Managed (Net)	142.5	150.0	+0.5	-
Internat'nal (net)	130.7	137.6	+0.3	-
Gilt & Fxd Interest	99.2	104.5	+0.1	-
Money Fund	100.9	106.2	+0.1	-
Pearl Assurance (Unit Linked Fund) Ltd				
Ret Man (Series 1)	437.4	460.5	+3.1	-
Ret Man (Series 2)	148.3	156.2	+1.0	-
Ret Man (Series 3)	97.6	97.6	+0.7	-
Ret Cash	124.8	131.4	+0.1	-
Ret Cash (Series 3)	102.2	102.2	-	-
Phoenix Assurance Co Ltd				
Phoenix House, Redcliff Hill, Bristol 0272 294941				
Life Assurance Funds				
Wealth Assd	384.2	404.5	+1.7	-
Eb'r Ph Eq	344.2	366.6	-	-
Pension Plan Funds				
Phoenix				
UK Equity Acc.	165.6	174.3	+1.1	-
International Acc.	142.2	149.6	+0.5	-
Property Acc.	148.2	156.0	-	-
Fixed Interest Acc.	154.9	163.0	+0.8	-
Money Acc.	144.1	151.6	+0.1	-
Bldg Soc. Link Acc.	140.9	148.3	+0.1	-
Special Mnged Acc.Q	151.6	159.5	+0.7	-
Phoenix/Framlington				
Intnl Growth Acc	89.20	93.80	+0.20	-
Am Smllr. Cos Acc.	90.00	94.70	+0.10	-
Capital Tst. Acc.	170.6	179.5	+0.1	-
Japan & Gen Acc	192.5	202.6	-0.2	-
American Tem Acc.	99.30	104.5	+0.6	-
Recovery Tst. Acc.	177.7	187.0	+0.6	-
Special Mngd Acc.	148.2	156.0	+0.6	-
Phoenix/GT				
International Acc.	134.0	141.0	+0.2	-
US & General Acc.	88.70	93.30	+0.20	-
Amer Spec Sits Acc.	68.10	71.60	+0.20	-

FT UNIT TRUST INFORMATION SERVICE

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

BRITISH FUNDS

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		"Shorts" (Lives up to Five Years)				
99⅝	83½	Redemption 3pc 1986-96	99¼xd	......	—	—
100¼	99⅜	Treas. 9½pc '88	99⅞xd	+⅛	9.52	11.25
102½	99⅝	Treas 11½pc 1989	99⅞	−⅛	11.52	11.67
101¾	98⅝	Treas 9½pc Cnv 1989	98⅞xd	−⅛	9.61	11.64
97⅝	95⅛	Treas 3pc 1989	96⅛	......	3.11	8.75
102⅞	99⅞	Treas 10½pc 1989	99⅛	......	10.59	11.64
102	98⅝	Exch. 10pc 1989	98⅝	......	10.13	11.57
103⅛	99⅛	Exch 11pc 1989	99⅝xd	−⅛	11.04	11.41
97⅞	94⅝	Treas 5pc 1986-89	95⅛xd	−⅛	5.26	9.97
104⅝	98⅛	Exch 10¼pcCv '89	98⅝	......	10.36	11.22
107⅛	102⅜	Treas 13pc 1990‡‡	102⅝	......	12.67	10.76
104⅛	100⅛	Exch 11pc 1990‡‡	100⅜	−⅛	10.96	10.75
107⅛	102⅛	Exch. 12½pc 1990	102¼xd	−⅛	12.26	10.90
93⅞	90⅝	Treas. 3pc 1990	90⅞	......	3.30	9.15
99⅞	95⅞	Treas 8¼pc 1987-90‡‡	96⅛	−⅛	8.58	10.74
102¼	95⅝	Treas. 8pc Cv 1990‡‡	96⅛	−⅛	8.30	10.22
103⅞	98⅛	Treas. 10pcCv 1990	98⅛xd	......	10.16	10.85
91⅞	87⅛	Exch 2½pc 1990	87⅛	......	2.85	8.81
107⅛	101⅜	Treas 11¾pc 1991	101⅝	−⅛	11.54	10.80
95⅞	90⅜	Funding 5¾pc '87-91‡‡	90⅝xd	−⅛	6.34	9.97
90⅝	86⅞	Treas. 3pc 1991	86⅝	......	3.47	8.86
105⅝	98⅞	Treas 10pc Cv '91‡‡	98⅛	−⅛	10.15	10.59
107⅞	100⅛	Exch. 11pc 1991	100⅞xd	......	10.91	10.69
98⅞	92⅛	Treas. 8pc 1991	92⅞	−⅛	8.62	10.69
113⅞	105⅞	Treas 12¾pc 1992‡‡	105⅞	−⅛	12.05	10.60
104⅞	98⅛	Treas 10pc 1992	98⅜	−⅛	10.18	10.59
98⅞	92¼	Treas. 8pc 1992‡‡	92⅞xd	−⅛	8.65	10.60
106⅝	99½	Treas 10½pc Cv 1992‡‡	99⅛	−⅛	10.53	10.59
86⅞	82⅜	Treas. 3pc 1992	82⅛	−⅛	3.64	8.60
112⅝	104⅝	Exch. 12¼pc '92	105⅛	−⅛	11.65	10.59
117⅛	108⅝	Exch 13½pc 1992	109⅛xd	−⅛	12.36	10.62
97⅝	91¼	Treas 8¼pc 1993	92⅛	−⅛	8.96	10.52
105⅛	97⅝	Treas 10pc 1993‡‡	98⅛xd	−⅛	10.17	10.48
115⅝	107⅛	Treas 12½pc 1993‡‡	107⅛	−⅛	11.66	10.54
93⅛	87⅛	Funding 6pc 1993‡‡	87⅝	−⅛	6.82	9.04
		Five to Fifteen Years				
121⅛	112⅛	Treas 13¾pc 1993‡‡	112⅛	−⅛	12.25	10.59

BRITISH FUNDS—Contd

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
		Undated				
44⅝	41⅛	Consols 4pc	42⅛	−⅛	9.43	—
39⅛	37⅛	War Loan 3½pc‡‡	37⅛	−⅛	9.26	—
58	49⅛	Conv. 3½pc '61 Aft	58xd	......	6.03	—
33⅛	30⅛	Treas. 3pc '66 Aft	31⅛xd	−⅛	9.43	—
28⅛	26⅛	Consols 2½pc	26⅛xd	−⅛	9.30	—
28⅛	26⅛	Treas. 2½pc	26⅞xd	−⅛	9.30	—
		Index-Linked				
		(b)			(1)	(2)
121⅝	117½	Treas 2pc IL '90(84.6)	121⅝	+⅛	1.05	3.15
103⅛	99⅛	Do. 2pc '92‡‡(97.8)	101⅞xd	+⅛	2.70	3.52
96⅛	92½	Do. 2 '94 (102.9)	94⅛	+⅛	3.02	3.52
139⅛	127⅜	Do. 2pc '96(67.9)	137½	+⅛	3.22	3.59
114⅛	103⅞	Do 2½pc '01(78.3)	113⅝xd	+⅛	3.74	4.00
111⅞	101⅝	Do. 2½pc '03(78.8)	110⅞	+⅛	3.79	4.02
114	102⅛	Do. 2pc '06(69.5)	112⅞	+⅛	3.81	4.00
105⅛	95⅛	Do. 2½pc '09(78.8)	105⅛	+⅛	3.80	3.99
109⅛	99⅛	Do. 2½pc '11(74.6)	109⅛	+⅛	3.82	3.98
91⅛	82⅛	Do. 2½pc '13(89.2)	90⅝	+⅛	3.80	3.95
98⅛	88⅛	Do. 2½pc '16(81.6)	97⅛	+⅛	3.76	3.91
96⅛	87⅛	Do. 2½pc '20(83.0)	95⅛xd	+⅛	3.72	3.86
81⅛	73	Do. 2½pc '24‡‡(97.7)	79⅛	+⅛	3.68	3.81

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base month for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for January 1988:103.3 and for August 1988:107.9

INT. BANK AND O'SEAS GOVT STERLING ISSUES

1988 High	1988 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
109⅛	100⅜	African Dv Bk 11¼ Ln 2010	102⅜	−⅛	10.86	10.82

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1988 High	1988 Low	Stock	Price £	+ or −	Div % Gross	Red. Yield
45	33	Greek 7pc Ass.	45xd	......	3.50	17.78
45	33	Do. 6pc 28 Stb. Ass.	45	......	3	16.67
45	33	Do 4pc Mixed Ass.	45xd	......	2	14.44
75	63	Hung. '24 Ass.	75	......	2.75	13.67
140⅛	128⅛	Hydro Quebec 15pc 2011	132⅛	−⅛	15.00	11.03
128⅛	118⅛	Iceland 14½pc Ln 2016	124⅛	−⅛	14.50	11.50
101¼	94½	Ireland 9¾pc '91-96	94⅛	......	9.75	10.83

AMERICANS

1988 High	1988 Low	Stock	Price £	+ or −	Div Gross	C'vr	Y'ld Gr's
29⅛	22⅛	Abbott Laboratories	29⅛	+⅛	$1.20	—	2.4
649p	405p	Allegheny & W 1c	432p	−1	30c	—	4.1
14⅛	862p	Amax $1	11⅛	−⅛	020c	—	1.0
15⅛	8⅛	Amdahl 5c	11⅛xd	−⅛	h10c	—	0.5
31⅞	22	Amer. Cyanamid $5	29⅛	......	$1.20	—	2.4
17⅝	11⅛	Amer Express 60c	17⅛xd	+⅛	76c	—	2.5
10⅝	668p	Amer Medical Intl. $1	992p	......	‡72c	—	4.3
17⅛	13⅛	American T & T. $1	15⅛	+⅛	$1.20	—	4.5
56	44⅛	Ameritech $1	56	+⅛	$5.40	—	5.7
28	16½	Amfac	26	......	—	—	—
18⅛	15⅛	Anheuser-Busch $1	18⅛	−⅛	60c	—	1.9
925p	360p	BankAmerica $1⅛	925p	+38	—	—	—
23⅛	16⅛	Bankers N.Y. $1	23⅛	−⅛	$1.86	—	4.7
42⅛	34⅛	Bell Atlantic $1	42⅛	+⅛	$4.08	—	5.6
25⅛	19⅛	BellSouth Corp	24	......	$2.36	—	5.8
15⅛	850p	Bethlehem Steel $8	13⅛	+⅛	—	—	—
13⅛	801p	Bio-Rad Labs. Inc. "A"	11⅛	+⅛	—	—	—
23⅛	15⅛	Bowater Inc.	18⅛xd	+⅛	92c	—	3.0
16⅛	11⅛	Browning-Ferris 16⅔c	16⅛xd	......	48c	—	1.7
13⅛	787p	Brunswick 75c	12⅛	+⅛	44c	—	2.1
30⅛	21⅛	CPC Intnl. 25c	30⅛	+⅛	$1.44	—	2.8
17⅛	13⅛	CSX $1	16	+⅛	$1.24	—	4.6
16⅛	11½	CalFed Inc $1	13⅛	−⅛	$1.40	—	6.2
17⅛	12⅛	Campbell Soup 15c	17⅛xd	+⅛	84c	—	2.8
39⅛	31⅛	Caterpillar Inc $1	33⅛	+⅛	75c	—	1.3
17⅛	11⅛	Chase Manhattan $12½	17⅛xd	−⅛	$2.16	—	7.2
19⅛	11⅛	Chem. Banking Corpn	19⅛	+⅛	$2.72	—	8.4
15⅛	11	Chrysler $6¼	15⅛xd	+⅛	$1.00	—	4.4
15⅛	9⅛	Citicorp $1	15⅛xd	+⅛	$1.48	—	5.7

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

UNIT TRUST NOTES

LONDON SHARE SERVICE

AMERICANS – Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
27¼	22¾	Texas Instr. $1	24	+¼	72c	–	1.8
63	43¼	Time Inc. $1	63	+5	$1.00	–	0.9
21	15¾	Transamerica $1	20	–	$1.84	–	5.2
20⅛	14½	TRINOVA Corp.	16	+¼	64c	–	2.3
19	15¼	USX $1	16½	–¼	$1.20	–	4.3
23	17¾	Utd. Technologies	22¾	+½	$1.60	–	4.1
33½	26¼	US West	33	+⅛	$3.52	–	6.2
24¼	16¾	Waste Management $1	24¼	+½	48c	–	1.2
16	12⅞	Whirlpool $1	15	+⅛	$1.10	–	4.3
32	18¼	Woolworth $3½	31½	–⅝	$1.64	–	3.1

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	173p	ABM Gold Corp	201p	+6	–	–	–
32p	11p	Abbot Energy Corp.	13½p	.....	–	–	–
14¼	927p	Amer. Barrick Res.	927p	–31	–	–	–
10p	3p	American Lightwave	5p	+2	–	–	–
47p	13p	Armeno	13p	.....	–	–	–
76p	44p	Augmitto Explo.	44p	–2	–	–	–
14¼	10⅝	Bk. Montreal	14	+¼	$2.00	–	6.9
726p	514p	Bk. Nova Scot.	726p	.....	76c	–	5.1
18⅛	15¼	BCE	18	+⅛	$2.44	–	6.6
716p	591p	Bow Valley	671p	+6	40c	–	2.9
13¼	10½	Brascan	12⅝	.....	88c	–	3.4
328p	189p	Breakwater Res.	202p	–1	10c	–	2.4
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS – Contd

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING – Contd

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INDUSTRIALS (Miscel.) – Contd

[illegible]

INSURANCES

[illegible]

LEISURE

[illegible]

صورة من الأصل

LONDON SHARE SERVICE

LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

135	110	UPL Group 10p.....y	110	.. ...	L2.4	4.3	2.9	15.0
182	120	Unit Group. . ... y	168	......	5.0	♦	4.0	♦
125	85	Video Tape Rec 5p. y	110	. ....	L2.3	2.3	2.8	15.8

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * *Highs and lows marked thus have been adjusted to allow for rights issues for cash*
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♦ Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Dealt in under Rule 535(3).
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ¶ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. *a Annualised dividend. b Figures based on prospectus or* other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, *cover and p/e based on prospectus or other official estimates.* T Figures assumed. W Pro forma figures. Z Dividend total to date. *Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.*

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	78	......
Craig & Rose £1.. y	698	......
Finlay Pkg. 5p.... y	86	......
Holt (Jos) 25p..... y	£11¼	+¼

IRISH

Cap. 8½% Ln. 1991	£98¾	......
9pc Cap Ln. 1996..	£99¼	+¼
Fin. 13% 97/02..	£128½	+8¾

Arnotts .... y	350	......
Carrol Inds......... y	159	... ..
Grafton Grp........ y	127	−1½
Hall (R. & H.).......	159	−1
Heiton Hldgs....... y	56	+1
Irish Ropes......... y	163	......

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	35
Amstrad	16
BAT	36
BOC Grp.	36
BSR	8
BTR	22
Barclays	35
Beecham	42
Blue Circle	28
Boots	19
Bowaters	55
Brit Aerospace	35
Brit. Telecom	22
Burton Ord	21
Cadburys	32
Charter Cons	30
Comm Union	34
Courtaulds	34
FKI Babcock	12
FNFC	23
Gen Accident	85
GEC	13
Glaxo	85
Grand Met	45
GUS 'A'	95
Guardian	85
GKN	28
Hanson	12
Hawker Sidd	48
ICI	72
Jaguar	26
Ladbroke	38
Legal & Gen	25
Lex Service	33
Lloyds Bank	26
Lucas Inds	50
Marks & Spencer	17
Midland Bk.	57
Morgan Grenfell	30
NEI	10
Nat West Bk.	52
P & O Dfd	52
Plessey	16
Polly Peck	30
Racal Elect	32
RHM	30
Rank Org Ord	64
Reed Intnl	36
STC	24
Sears	11
TI	28
TSB	9
Tesco	14
Thorn EMI	68
Trust Houses	21
T&N	17
Unilever	42
Vickers	14
Wellcome	45

Property	
Brit Land	30
Land Securities	52
MEPC	52
Peachey	58

Oils	
Brit. Gas	15
Brit Petroleum	24
Burmah Oil	50
Charterhall	3
LASMO	40
Premier	7½
Shell	95
Ultramar	26

Mines	
Cons Gold	95
Lonrho	20
RTZ	35

A selection of Options traded is given on the London Stock Exchange Report Page

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £940 per annum for each security.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section

	Monday September 19 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Fri Sep 16 Index No.	Thu Sep 15 Index No.	Wed Sep 14 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (210)	758.37	-0.4	11.06	4.35	11.18	20.19	761.21	763.09	760.59	984.96
2 Building Materials (29)	945.99	-0.3	12.41	4.57	9.93	24.47	949.14	950.41	956.40	1214.54
3 Contracting, Construction (37)	1510.97	-0.2	11.54	3.72	11.28	34.17	1514.07	1518.81	1523.50	1832.37
4 Electricals (12)	2083.18	+0.4	9.66	4.93	12.67	54.89	2075.59	2082.84	2074.85	2531.36
5 Electronics (28)	1638.25	-0.6	10.87	3.79	11.84	40.48	1648.68	1671.42	1662.59	2076.79
6 Mechanical Engineering (58)	394.96	-0.4	10.62	4.49	11.64	10.62	396.54	397.75	397.49	524.89
8 Metals and Metal Forming (7)	465.15	-0.5	10.45	4.16	11.83	10.06	467.60	463.80	460.86	572.03
9 Motors (16)	266.79	–	12.23	4.95	9.43	7.80	266.91	264.69	263.64	402.17
10 Other Industrial Materials (23)	1284.64	-0.5	9.91	4.75	11.89	41.77	1290.73	1283.62	1260.83	1731.35
21 CONSUMER GROUP (185)	1029.89	-0.4	9.69	3.89	13.02	20.44	1033.97	1032.90	1033.83	1356.20
22 Brewers and Distillers (21)	1072.81	-0.4	11.01	3.83	11.46	22.90	1077.41	1072.64	1066.91	1222.59
25 Food Manufacturing (21)	938.95	+0.6	9.41	4.02	13.49	18.91	933.62	932.23	927.55	1016.79
26 Food Retailing (16)	1829.34	+0.4	9.43	3.65	13.99	38.76	1821.42	1835.12	1846.90	2496.77
27 Health and Household (12)	1788.81	-0.7	7.01	2.75	16.54	18.01	1801.59	1804.28	1814.24	2637.63
29 Leisure (30)	1310.55	-0.3	9.40	3.91	13.65	29.68	1313.84	1309.81	1295.19	1418.87
31 Packaging & Paper (17)	497.03	+0.3	10.53	4.33	12.19	13.89	495.36	494.24	492.52	673.86
32 Publishing & Printing (18)	3256.50	-0.6	9.08	4.72	13.74	74.44	3275.24	3300.57	3300.81	4749.66
34 Stores (34)	742.57	-0.6	11.23	4.48	11.72	16.36	747.13	739.82	749.63	1119.91
35 Textiles (16)	506.87	-5.1	13.63	5.40	8.61	12.69	533.84	539.16	534.68	873.12
40 OTHER GROUPS (93)	862.37	-0.2	11.61	4.63	10.52	21.98	863.79	866.94	866.27	1152.88
41 Agencies (19)	1015.93	+0.1	8.92	2.76	14.17	18.23	1015.21	1018.17	1015.03	1732.46
42 Chemicals (21)	1026.87	-0.4	12.45	4.96	9.64	36.09	1030.49	1036.87	1037.01	1482.58
43 Conglomerates (13)	1182.73	+0.5	10.69	4.57	10.79	24.92	1176.96	1180.54	1179.73	1456.65
45 Shipping and Transport (12)	1808.16	-0.2	12.09	5.12	10.93	37.93	1811.42	1816.61	1808.81	2375.06
47 Telephone Networks (2)	925.92	+0.6	12.00	4.81	10.81	20.38	920.17	925.41	926.48	1077.68
48 Miscellaneous (26)	1169.57	-2.0	12.04	4.63	9.46	36.88	1193.39	1192.43	1190.11	1731.52
49 INDUSTRIAL GROUP (488)	925.72	-0.3	10.59	4.22	11.73	21.48	928.74	929.85	929.22	1219.36
51 Oil & Gas (12)	1755.77	-1.2	10.77	6.35	11.89	76.00	1777.22	1780.44	1748.26	2226.76
59 500 SHARE INDEX (500)	996.00	-0.5	10.61	4.52	11.76	26.04	1000.52	1001.80	998.61	1304.95
61 FINANCIAL GROUP (121)	666.08	+0.2	–	5.31	–	22.38	664.50	665.50	666.51	857.42
62 Banks (8)	646.85	+0.7	22.13	6.75	6.06	30.77	642.55	643.53	642.64	839.52
65 Insurance (Life) (8)	994.20	-0.6	–	5.30	–	36.93	999.83	1001.30	999.26	1188.34
66 Insurance (Composite) (7)	518.98	+1.0	–	6.02	–	18.56	513.88	513.16	514.24	677.75
67 Insurance (Brokers) (7)	916.03	-0.4	10.47	6.95	12.37	44.40	919.93	912.39	914.53	1188.12
68 Merchant Banks (11)	324.29	-0.3	–	4.42	–	8.09	325.28	325.80	322.67	490.94
69 Property (50)	1147.53	-0.2	5.79	2.85	22.09	16.10	1149.91	1156.72	1166.65	1338.18
70 Other Financial (30)	355.70	+0.4	10.73	5.56	11.71	10.71	354.36	353.54	354.26	580.99
71 Investment Trusts (78)	894.72	-0.2	–	3.16	–	15.68	896.48	895.12	892.16	1178.96
81 Mining Finance (2)	526.46	+0.2	11.46	3.97	9.66	15.67	525.15	526.11	525.09	695.85
91 Overseas Traders (8)	1167.87	+0.3	10.22	4.86	11.43	35.31	1164.83	1168.65	1171.02	1268.52
99 ALL-SHARE INDEX (709)	912.59	-0.3	–	4.59	–	24.73	915.49	916.63	914.46	1198.84

	Index No.	Day's Change	Day's High	Day's Low	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Year ago
FT-SE 100 SHARE INDEX ♦	1759.9	-6.8	1769.7	1759.5	1766.7	1769.3	1765.1	1756.3	1744.6	2334.8

FIXED INTEREST

PRICE INDICES	Mon Sep 19	Day's change %	Fri Sep 16	xd adj. today	xd adj. 1988 to date
British Government					
1 5 years	117.98	-0.04	118.03	0.80	9.35
2 5-15 years	134.21	-0.18	134.45	–	9.42
3 Over 15 years	142.94	-0.20	143.72	0.50	11.09
4 Irredeemables	164.41	-0.25	164.82	–	8.84
5 All stocks	131.31	-0.14	131.83	0.35	9.68
Index-Linked					
6 5 years	127.34	+0.12	127.19	–	1.81
7 Over 5 years	120.85	+0.27	120.52	–	2.65
8 All stocks	121.21	+0.26	120.90	–	2.57
9 Debentures & Loans	115.50	+0.41	115.48	0.45	7.82
10 Preference	89.06	-0.08	89.76	0.62	4.36

AVERAGE GROSS REDEMPTION YIELDS		Mon Sep 19	Fri Sep 16	Year ago (approx.)
British Government				
1 Low	5 years	10.07	10.04	9.40
2 Coupons	15 years	9.70	9.67	9.64
3	25 years	9.37	9.34	9.50
4 Medium	5 years	10.50	10.46	10.07
5 Coupons	15 years	9.94	9.91	9.87
6	25 years	9.63	9.60	9.68
7 High	5 years	10.63	10.60	10.15
8 Coupons	15 years	10.07	10.03	10.04
9	25 years	9.62	9.59	9.72
10 Irredeemables †		9.30	9.27	9.72
Index-Linked				
11 Inflation rate 5%	5yrs.	3.44	3.48	3.30
12 Inflation rate 5%	Over 5 yrs.	3.92	3.94	3.98
13 Inflation rate 10%	5 yrs.	2.28	2.32	3.29
14 Inflation rate 10%	Over 5 yrs.	3.74	3.76	3.98
15 Debs &	5 years	11.62	11.75	11.44
16 Loans	15 years	11.32	11.35	11.43
17	25 years	11.15	11.17	11.43
18 Preference †		10.13	10.11	10.79

♦ Opening index 1762.7; 10 am 1765.5; 11 am 1769.2; Noon 1767.7; 1 pm 1768.3; 2 pm 1769.0; 3 pm 1767.6; 3.30 pm 1767.9; 4 pm 1762.5

† Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A new list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 32p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	14	86	13
Corporations, Dominion and Foreign Bonds	1	12	37
Industrials	434	384	784
Financial and Properties	149	126	388
Oils	13	33	60
Plantations	1	1	11
Mines	9	100	84
Others	85	58	131
Totals	706	800	1,508

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. date	1988 High	1988 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
[illegible]							

[illegible]

TRADITIONAL OPTIONS

- First Dealings Sep 12
- Last Dealings Sep 23
- Last Declarations Dec 8
- For settlement Dec 19

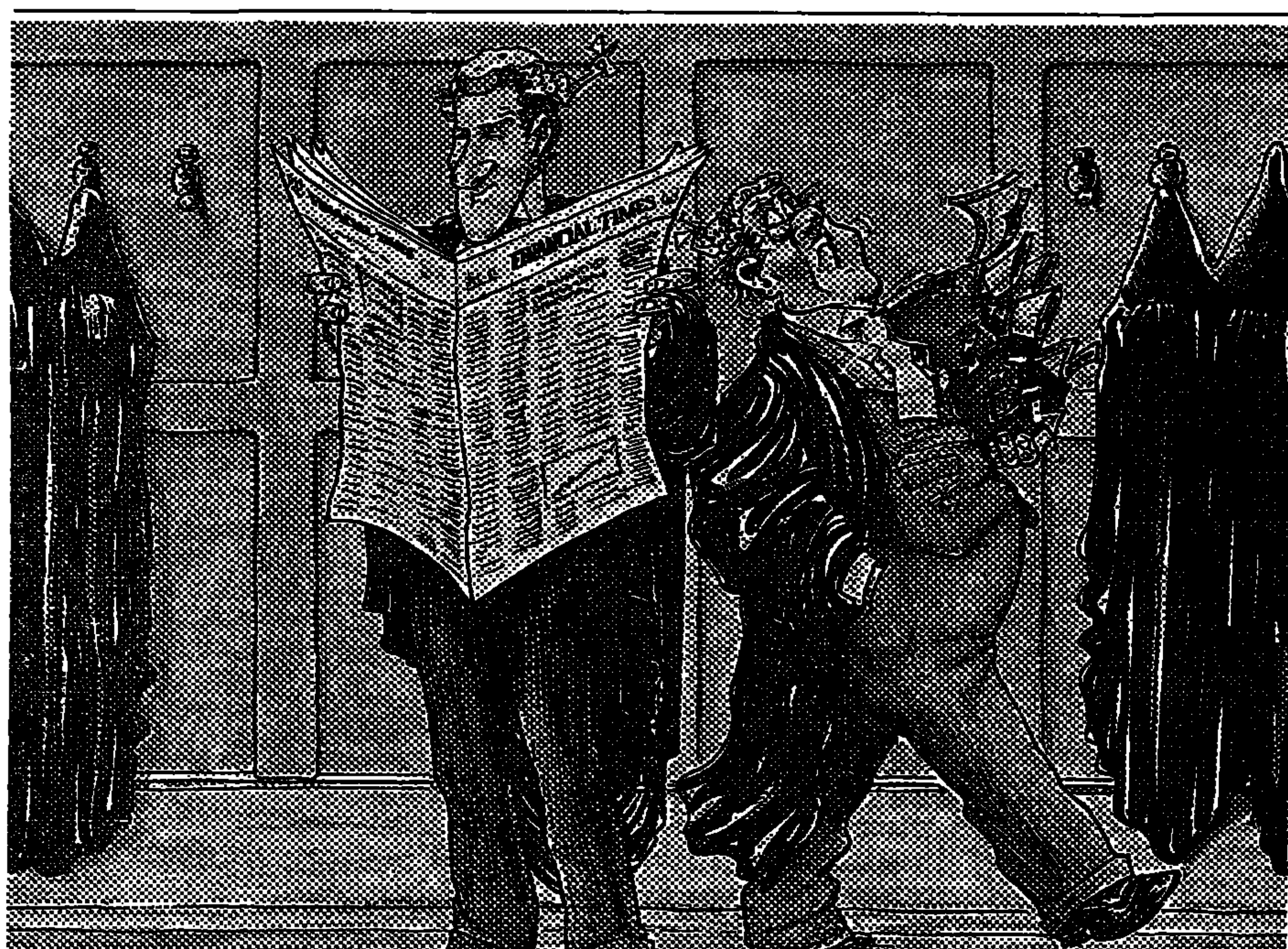
For rate indications see end of London Share Service

Stocks to attract money for the call included Consolidated Gold-Fields, WA Holdings, Sears, Hickson International, Trusthouse Forte, North Kalgurli, Sears, Norex, Shell Transport, AC Holdings, Blacks Leisure, Cadbury Schweppes, Dee Corporation and Suter. No put or double options were reported.

LONDON TRADED OPTIONS

Option		Calls			Puts		
[illegible]							

September 19 Total Contracts 35,119 Calls 28,855 Puts 6,264
FT-SE Index Calls 2744 Puts 669
*Underlying security price.



Now there's a strong case for looking in the FT

Be sure to get your copy of the Financial Times on 26th September. That's the day we launch our new Legal Pages.

Published every Monday, they'll cover the business and commercial news that affects your profession, your clients and you.

What's more, if you're recruiting, take advantage of our Legal Appointments Pages. You'll have the ideal editorial environment for your advertisement, and of course, the most suitable audience.

For learned insight, you can depend on the FT's new Legal Pages. But don't take our word as evidence. Reach your own verdict by reading the Financial Times every Monday from September 26th.

Win 12 bottles of champagne

To launch the FT's weekly Legal Pages, we are inviting you to take part in a lighthearted contest.

Your brief: simply write a witty or pithy caption for the illustration above, then send your entry or entries to: Penny Robertson at the Financial Times, Bracken House, 10 Cannon Street, London EC4P 4BY.

The result will be announced in the FT's new Legal Pages on Monday 10th October. If yours is the winning entry, you'll receive 12 bottles of the FT's own Laurent Perrier Rosé Cuvée Champagne. You, and the nine runners up, will also receive a framed, limited edition print of the illustration.

FINANCIAL TIMES
Legal Pages

COMPANY NOTICES

NOTICE OF PREPAYMENT

CNT

Caisse Nationale des Télécommunications

15,000,000,000 Japanese YEN Floating Rate Notes due 1997

Unconditionally guaranteed as to payment of principal and interest by

The Republic of France

In accordance with clause (b) of paragraph "Redemption and Purchase - Cancellation" of the Conditions of the Notes, notice is hereby given that CNT will prepay, on the next Interest Payment Date, October 24, 1988, all the Notes remaining outstanding, at 100.10 % of their principal amount.

Payment of interest and premium due on October 24, 1988 and reimbursement of principal will be made in accordance with the Conditions of the Notes.

Interest will cease to accrue on the Notes as from October 24, 1988.

Luxembourg, September 20, 1988

The Fiscal Agent

KREDIETBANK
S.A. LUXEMBOURGEOISE

RIGGS NATIONAL CORPORATION USD 100,000,000 FLOATING RATE SUBORDINATED NOTES 1996

In accordance with provisions of the Notes, notice is hereby given that for the period 20 September 1988 the Notes will carry a rate of interest of [illegible] pct per annum with a coupon amount of USD [illegible]

Chemical Bank
As Agent

Riggs National Corporation USD 60,000,000 Floating Rate Subordinated Notes 1998

In accordance with provisions of the notes, notice is hereby given that for the period [illegible] the notes will carry a rate of interest of [illegible] pct per annum with a coupon amount of USD [illegible]

CHEMICAL BANK
AS AGENT

MIDLAND INTERNATIONAL FINANCIAL SERVICES BV
FRF 800,000,000
FLOATING RATE NOTES DUE 1997

Interest Rate: 8,18%
Interest Period: September 15, 1988 to December 14, 1988
Coupon no 7: per FRF 10.000 FRF 206,77; per FRF 100.000 FRF 2.067,72; due December 15, 1988

Société Générale Alsacienne de Banque
Succursale de Luxembourg

SILVERMINES PLC.

(Registered in Ireland No. 12561)

RIGHTS ISSUE OF 2,051,725 NEW ORDINARY SHARES OF IR£0.025 EACH AT IR£1.425 (STG£ 1.22) PER SHARE

NOTICE IS HEREBY GIVEN [illegible]

BY ORDER OF THE BOARD
J.D. McFARLANE
Registered Office: 43 Ailesbury Road, Dublin 4.
Dated: 20 September, 1988

NEWS INTERNATIONAL PLC
USDOL 150,000,000
8¾% Bonds Due 1991
Convertible into US$ 150,000,000
Guaranteed Floating Rate Notes Due 1991

For the period from September 20, 1988 to December 20, 1988 the notes will carry an interest rate of [illegible] per annum with a coupon amount of USDOL [illegible] per USDOL 10,000 note.

The relevant interest payment date will be December 20, 1988.

Banque Paribas (Luxembourg) S.A.
Agent Bank

PUBLIC NOTICES

OFFICE OF FAIR TRADING

COMPETITION ACT 1980
Notice under Section 3(2)(b)

BLACK & DECKER

[illegible]

CLUBS

EVE has outlived the others because of a policy of fair play and value for money. Supper from 10-3.30 am. Disco and top musicians, glamorous hostesses, exciting floorshows. 189, Regent St. 01-734 0557.

ANNOUNCEMENT

Compagnie Financiere Sucres et Denrees is pleased to announce that its subsidiary Merkuria Sucden, leading force in the commodities trade, is taking steps to strengthen and develop its presence in the coffee and fertilizer markets.

An association is being set with the Almukafa Group, which operates in several areas particually in the Middle East.

Mr. Serge Varsano, Group Chairman, states: "We are particularly glad about this joining of forces and are confident that, together, we shall swiftly reach the levels of success in the coffee and fertilizers that we already enjoy in sugar, cocoa and rice. We shall also look forward to working with our friend Monte Kalaji of Almukafa. His contribution will, I am sure, be a Major factor leading to this success".

LONDON STOCK EXCHANGE

Markets dull ahead of money figures

PERSISTENT WORRIES over prospects for domestic inflation and interest rates continued to beset the UK securities markets yesterday, keeping trading volumes subdued in both Gilt-edged and equities.

Speculative stocks provided the features in the stock market but proved unable to sustain a sector growing increasingly wary ahead of today's disclosure of the August figures on UK money supply and bank lending.

Losses in both Government bonds and leading blue chip shares were small, however, despite a late downturn suffered in the wake of a weak opening in the New York markets.

Account Dealing Dates

Option			
*First Declarations	Sep 5	Sep 19	Oct 3
Option Declarations	Sep 15	Sep 29	Oct 13
Last Dealings	Sep 16	Sep 30	Oct 14
Account Day	Sep 26	Oct 10	Oct 24

*New time dealings may take place from 9.00 am two business days earlier

In addition to their concern over today's trade figures nes, markets are beginning to focus their attention on the UK trade figures for August, due in a week.

The median forecast for today's M0 measure of UK money flow is for growth of 0.9 per cent in August, while Warburg Securities, the major London securities house, predicts an August trade deficit of around £2bn, not far from the £2.2bn figure for July, which alarmed the securities markets three weeks ago. Against this background, fears that UK base rates could be forced up to 13 per cent abound in the City.

Equities opened lower in slack trading, with the fall in market indices accentuated by ex-dividend quotations for several major stocks, notably Shell, which showed a fall of nearly 30p throughout the session. The market tried to rally but drifted off again to close with the FT-SE Index a net 6.8 points down at 1759.9 – a touch above the day's low.

Over the market as a whole, business remained, "absolutely dead", to quote one trader. Seaq volume of 327m shares, at 6.00pm time, remained within the recent lamentable trading range.

Once again, the absence of genuine investment activity contrasted with interest in a batch of speculative situations. The chief corporate trading reports of the session came from Glaxo, the pharmaceutical group, which disclosed 1988 profit figures welcomed by the analysts with a general upgrading of the shares.

Government bonds had a very quiet session, with prices generally slipping lower as the sector awaited the money supply announcement.

Losses in the longs ranged to ¼, and similar falls were seen at the shorter end. Traders expressed nervousness ahead of today's session

However, there was support again for Index-Linked (IL) issues which have returned to favour as inflation fears have revived in the UK

FINANCIAL TIMES STOCK INDICES

	Sep 19	Sep 16	Sep 15	Sep 14	Sep 13	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	86.80	86.62	86.81	86.90	86.79	86.87	91.43 (18/4)	86.28 (2/9)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	95.62	95.61	95.63	95.49	95.53	92.41	98.87 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1418.6	1422.5	1422.0	1416.5	1409.8	1837.3	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	164.4	173.8	176.4	176.6	175.9	438.3	312.5 (7/1)	164.4 (19/9)	734.7 (15/2/83)	43.5 (26/10/71)
Ord. Dl. Yield	4.84	4.83	4.83	4.81	4.84	3.19				
Earning Yld %(full)	12.20	12.17	12.18	12.15	12.23	7.82				
P/E Ratio(Net)(☆)	9.94	9.97	9.96	9.99	9.92	15.65				
SEAQ Bargains(5pm)	17,796	22,872	19,698	18,623	17,781	41,348				
Equity Turnover(£m)†	-	1056.80	933.64	1098.71	957.79	1584.57				
Equity Bargains†	-	24,338	20,695	19,162	18,579	48,331				
Shares Traded (ml)†	-	432.4	351.6	324.8	287.3	573.6				

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1422.1	1425.5	1429.2	1427.1	1427.7	1428.0	1426.7	1421.1

DAY'S HIGH 1430.1 DAY'S LOW 1418.4

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆ Nil 9.86 †Excluding intra-market business.

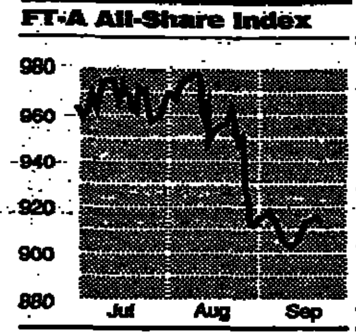
S.E. ACTIVITY

Indices	Sep 16	Sep 15
Gilt Edged Bargains	73.0	79.8
Equity Bargains	157.7	134.1
Equity Value	2136.1	1887.1
5-Day average		
Gilt Edged Bargains	75.2	79.0
Equity Bargains	127.3	122.1
Equity Value	1873.9	1839.1

London Report and latest Share Index: Tel. 0898 123001

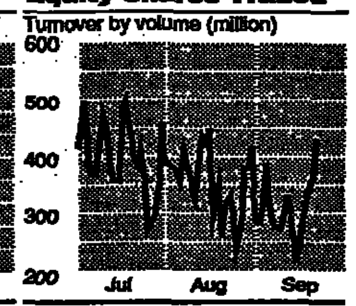
Glaxo fall despite upgrading

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The announcement of pre-tax profits for 1988 up some 11.5 per cent at £832m from Glaxo scarcely caused a ripple in the share price until late in session when some selling developed and Wall Street influences left its toll on the price which closed 17 off on the day at 986p. The profit figures were nearer the top end of markets estimates.

The City's main concern was about the rising cost of research and development but despite this Hoare Govett, the securities house, is raising its 1989 pre-tax profit forecast for the group by £10m to £965m. Mr Steve Plag, the pharmaceutical analyst with Robert Fleming Securities, changed his stance from a "buy" to a "strong buy" and moved his 1989 estimate up to £986m. "Glaxo is still the best organic growth stock in the sector" he says.

Oils fervour fades

There was acute disappointment at the turnover and individual performances in an oil sector bursting with stories only days previously. A weekend Press full of every possible outcome to the goings-on at LASMO/Enterprise/British Gas/RTZ et al, failed to trigger any follow-through of interest in the sector which admittedly was again unsettled by the latest downturn in crude oil prices.

The latter fell sharply yesterday to touch a low of just over $13 a barrel for October Brent, compared with Friday's $13.55 level, after a story circulated that Saudi Arabia will confirm it is producing in excess of its current daily quota of 4.35m barrels a day when the OPEC pricing committee meets on September 25.

Lasmo managed a minor gain at 572p, up 5, but Enterprise dipped 2½ to 680p xd as the market awaits the next move in the saga.

British Gas continued to drift easier, closing a further 1½ off at 164½p on turnover of 3.8m - "not a buyer in sight" was the comment from one dealer. But the most disappointing showing came from BP where the "old" were a shade off at 246p on turnover of 1.9m.

Ultramar old and new shares attracted useful support with the former 3 firmer at 240p and the latter finally ½ up at 38½ after 40p. Turnover in the old was 1.4m but was considerably higher in the new where more than 3m changed hands.

Second liners provided some keen interest, with Carless well to the fore amid vague bid talk and finally 3 better at 90p; turnover was just short of 1m.

Stores apprehensive

There was an uneasy calm in Stores stocks ahead of today's money supply figures, which dealers fear might trigger another half or one point rise in interest rates. Next was the main feature, falling 5 to 207p after downgradings from James Capel and Smith New Court. Analysts at Smith decided to reduce their forecast for Next's full year profits from £120m to £115m because of the affect of the recent postal strike on its mail order business, although their forecast for the group's interim profits – due next week – remains unchanged on £38m.

After last week's speculation about a Hanson Trust bid and/or the sale of the Al Fayed's stake, Sears were again well supported, closing a halfpenny easier at 133p as 9.2m shares went through the system. Among the second-line stocks watchmakers Time Products gained 15 to 220p on revived rumours that a European company is preparing a bid for the group.

Coats Viyella disappointed the market with interim figures well below most expectations. Profits for the first six months of 1988 were 6 per cent down on last year at £76m. Mr David Buck, analyst with Barclays de Zoete Wedd, said Coats "was caught by the widening gap between UK prices and imports," and predicts worse to come in the second half as the group undergoes a major reorganisation.

The downbeat results from Coats Viyella exerted pressure on the Textile sector where Courtaulds was the main casualty at 293p, down 12 to on the day. Tootal fell 4 to 93½p and Shaw a similar amount to 107p

Lonrho moved forward impressively as turnover began to increase again and the shares closed 5 higher at 299p. A Swiss bank has been identified as a holder of at least 12m shares and perhaps as many as 15m shares, leading Lonrho to invoke Rule 212 of the UK Companies Act which requires a nominee to disclose the name of the beneficial owner.

Pearson closed 46 higher at 735p, after 743p, as speculation revived following reported developments concerning the group and Reed International. English China Clays, up 8 at 466p, traded fairly briskly (1.1m) amid RTZ bid rumours, but Pentland Industries dipped 13½ to 101p xd as Reebok, the group's associate company, warned of lower earnings for the rest of the year.

Talk that UK interest rates could have further upside potential and another bullish note on the sector from Citicorp Scrimgeour Vickers gave a boost to the banks.

Citicorp says "Bank shares should be performing in line with the Olympic motto - faster, higher, stronger; capital ratios are the strongest they have been for some time and their dividend yields are mostly between 150 per cent and 200 per cent higher than that of the all-share index.

The big-four made good progress led by Lloyds – a Citicorp "favourite" along with NatWest – which moved up 6 to 293p on turnover of 3.2m; vague stake-building talk was also noted in connection with Lloyds.

Standard Chartered added 8 at 525p after weekend Press speculation that the bank could well be a bid target.

Insurances performed extremely well, dealers said, despite many of the leaders going ex-dividend. Abbey Life were said to be beneficiary of a major switch out of Prudential and rose 7¼ to 304½p on turnover of almost 3m. Prudential, were not without support, however, and closed little changed at 150½p xd.

Composite insurers made rapid progress, as the destruction wrought by "Hurricane Gilbert" turned out much less than at first thought. Commercial Union spurted 8 to 334p while GRE rose 4½ to 183½p helped by vague bid talk.

Guinness continued to buy-in its own shares – 22.2m have now been netted excluding yesterday's purchases – but the price closed 4½ lower at 308p xd. Other Brewery majors were on the upward tack and Allied-Lyons advanced 5 to 410p while Whitbread "A" improved 4 to 287p. Regional issues, too, enjoyed firm conditions with J.A.Devenish rising 11 to 312p. Belhaven, however, slipped 4¼ to 57½p following early disappointing profits from the brewery division and the removal of Mr Raymond Miquel, the group's chief executive.

Two sizeable takeover bids, a major acquisition and a profits warning encouraged a sharp upturn in activity in the second line electronics and electricals. Business in the front-line stocks, however, was unexceptional, dealers said.

The 222p a share agreed cash bid for Thermal Scientific from TI Group, valuing the former at around £72.5m, saw Thermal shares rocket 62 to 215p, after 218p. Further takeover excitement in the sector came with the recommended seven-for-twelve share exchange offer from Erskine House for Quest Group; Quest shares surged 21 to 103p, after 112p.

Harland Simon, where Mountain Dew has recently acquired a significant holding, jumped 19 to 394p, after news that negotitations aimed at acquiring NEF, the Swedish-based components manufacturer owned by Scapa, are at an advanced stage.

United Scientific shares came under heavy pressure early on and slumped to around 163p after the company revealed the resignation of the chief executive and that profits for the year will be in the region of £10.5m, against previous forecasts of £15m. Large losses at the group's Avimo unit was blamed for the downgrading. But subsequent buying, based on hopes that the current troubles could trigger an opportunist bid for the group – Thorn EMI, GKN, Vickers and Pilkington were all mentioned as potential predators - saw the shares rally to close only 3 off at 178p.

In the leaders BICC performed strongly amid talk that a takeover by a leading French group may be on the cards, with BICC shares finally 8 higher at 347p.

Racal, now ex-entitlement for the forthcoming Racal Telecoms flotation, ran back to close a net 13½ down at 292½p.

Tarmac maintained a firm profile awaiting today's half-year statement and closed harder at 223p. SBCI Savory Milln is looking for interim profits of around £117m compared with £83m. Swindon development hopes enlivened interest in Crest Nicholson, up 10 at 197p, but housebuilders generally still showed concern about prospects. Bryant, down 6 at 128p, failed to benefit from annual profits up from £28.4m to £50.1m. Taylor Woodrow, in which P&O holds a stake of around 10 per cent, improved 8 to 598p; the company announced yesterday a $59.7m contract to build a new terminal at a Californian airport. Tyson dipped 11 to 48p after the interim figures and proposed rights issue to raise around £3.15.

Amersham returned to the forefront with a gain of 13 to 571p as takeover hopes resurfaced but Brent Chemicals dipped 14 to 127p after disappointing first-half results.

Food and Hotels Grand stocks were boosted by speculation surrounding what Grand Metropolitan will do with the money it earns from the sale of its chain of Intercontinental Hotels. Cadbury Schweppes were again linked as a possible target, and gained 5½ to 373p as a result, and that was despite going ex-dividend yesterday. Grand Met were easier on the rumours, closing 5½ down on 480p.

Trusthouse Forte were also in the limelight, improving tuppence to 258p on rumours that a European group could make a bid soon. Rank Hovis Macdougall gained 6 to 385p on suggestions that Goodman Fielder will sell its 29.9 per cent stake in RHM to either Hanson Trust, Unilever or Allied Lyons.

Kwik-Fit, the automotive retail operator, went 3½ higher to 106½p with analysts expecting the group to reveal interim profits today of between £8.5m and £9.5m. The forecast of Mr Charles Allen, researcher at County NatWest WoodMac, is at the top of the range. He concludes a positive long-term assessment of group prospects with. "the rights issue has caused a hiccup in earnings growth but the second half should see a return to normal."

Adverse weekend press comment knocked Local London back 17 points to 443p, while Pennant Properties firmed 8 to 110p after bringing in profits for the 17 months to July of £8.1m, against £6.3m for the same period last year.

European and particularly German-orientated Investment Trusts went with domestic market trends. Some shone brightly and Gartmore European rose 8 to 280p while Continental Assets advanced 5 to 94, and German Smaller Cos. improved 6 to 111p.

A report that Bond Corporation was seeking approval to increase its 13 per cent stake in M&G put the unit and investment trust group up 6 to 344p.

The day's only debutant issue, investment and venture capital company Thompson Clive, attracted enough interest to close the day on 126p, or 11 above the placement price of 115p. Currently traded as a miscellaneous financial stock, Thompson Clive is due to acquire investment trust status early next year.

Business was steady on the Traded Options Market ahead of today's money supply figures, with a healthy 35,119 contracts (28,855 calls and 6,264 puts) reported. The most popular stocks were Trusthouse Forte with 8,060 contracts exchanged, Cadbury Schweppes with 3,733, and Consolidated Gold Field, which notched up 2,241 contracts on the day.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 46

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	528	143	-1	Cons. Gold Fields	2,500	£10¼	+¼	Land Securities £1	1,500	539	-3	Rothmans 12 1/2p	397	409	-2
Abbey Life 5p	2,938	304½	+7¼	Costain 50p	165	243		Laporte Inds. 50p	270	399	+5	Royal Bk. of Scotland	126	342	
Allied-Lyons	1,450	410	+5	Courtaulds	1,800	293	-12	Legal & General	722	304½	+3	Royal Insce	1,700	366	+1
Amstrad 5p	1,288	199		Dalgety (£1.30)	647	331	+2	Lloyds £1	3,200	293	+6	STC	416	257	
Argyll Group	963	168	+1	Dee Corp 5p	1,100	161		LASMO	1,300	570	+3	Saatchi 10p	397	342	-3
Ass. Brit. Foods 5p	77	298	+1	Dixons Group 10p	240	150	-2	Lonrho	4,300	299	+5	Sainsbury (J.)	1,800	201½	+1
[illegible]				[illegible]				[illegible]				[illegible]			
Bass	277	758	-1	Glynwed Int.	145	296½	+½	Northern Foods	38	261	+1½	Sun Alliance	121	971	+4
Beecham	1,880	458	+2	Granada	232	295		Pearson	1,400	735	+46	T&N	322	175	+4
Blue Arrow 5p	2,000	89½	-½	Grand Met. 50p	2,000	480	-5½	Pearl 5p	105	469½	-½	TSB	390	98½	
Blue Circle £1	147	422	+2	GUS A	182	£10¼	+¼	P & O Defd £1	368	534	-1	Tarmac 50p	1,000	223	+2
Boots	2,909	212½	-½	GRE 5p	1,200	183½	+4½	Pilkington 50p	966	193	-1½	Tate & Lyle £1	159	837	+7
British Airways	794	153	+1	GKN £1	268	312	-2	Plessey	1,300	150	+2	Tesco 5p	1,700	134	+2½
Brit. Aerospace 50p	543	445	-2½	Guinness	8,180	308	-4½	Prudential 5p	2,700	150½	-1	THORN EMI	224	614	-1
Brit & Comm. 10p	413	218	+2	Hammerson "A"	77	620		Racal Electronics	4,000	292½	-13½	Trafalgar Hse. 20p	457	302	
British Gas	3,900	164½	-1½	Hanson	340	141½	-1	Rank Org.	591	649	-2	Trusthouse Forte	7,400	258	+2
British Land	367	315	+1	H'rris'n. Crs. £1	46	618		RMC	10	448		Ultramar	1,400	237	
Brit. Petroleum	1,700	246	-1	Hawker Siddeley	386	501	-1	RHM	938	384	+5	Unilever 5p	629	457	-1
British Telecom	1,600	233½	+2	Hillsdown Hldgs 10p	578	263	+1	Reckitt & Colman	73	856	-2	United Biscuits	520	275	+4
Burmah £1	35	511		IMI	301	196½	+½	Redland	225	396	-1	Utd Newspapers	183	384	+2
Burton Group 50p	2,300	194	-3	Imp. Chem. £1	515	£10⅛	-⅛	Reed International	442	400	-7	Wellcome	392	480	
Cable & Wireless 50p	372	361	-1	Inchcape	115	199	-1½	Reuters "B" 10p	310	464	+2	Whitbread "A"	1,500	285	+2
Cadbury Schweppes	3,400	373	+8	Jaguar	335	241	-1	RTZ 10p	461	421	-1	Williams Hldgs.	327	360	-2
Coats Viyella	5,600	178	-21	Ladbroke 10p	996	426	-5	Rolls Royce 20p	955	126	-1	Wimpey (Geo)	276	324	+1
Comm. Union	3,800	334	+8									Woolworth Hldgs	2,700	247	-3½

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (43).

BRITISH FUNDS (1) Treas. 2pc. I.L. 1996, AMERICANS (15) BANKS (1) Deutsche Bk., BREWERS (2) Clarke (Matthew), Fuller, Smith & Turner, CHEMICALS (2) BASF, Hoechst, ELECTRICALS (6) Acal, Harland Simon, Hoskyns, Plco Hldgs., Do. A, Thermal Scientific, ENGINEERING (1) Thyssen, FOODS (2) BSN, Tate & Lyle 8HG 1989, INDUSTRIALS (9) Macfarlane, Rauma-Repola, Wassall, INSURANCE (2) Allianz, Lincoln Nat., PAPERS (1) Crown Comms., PROPERTY (1) Caird Grp., TRUSTS (6) Brit. Asset 8pc. Cv. 1995, Contl. Assets, German Smaller Inv., Mezzanine Cap., Tor Inv. Inc., OILS (1) LASMO.

NEW LOWS (77).

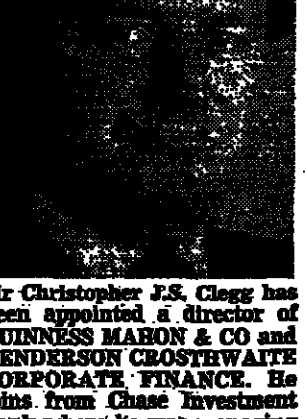
BRITISH FUNDS (1) Funding 6pc. 1993, CANADIANS (4) Am Barrick Res., Augmitto Explo., Corona Corp., Sonora Gold, BANKS (2) Cater Allen, Warburg (S.G.) 8pc. A Cv. Pf., BUILDINGS (3) BPB Inds., Marshalls Halifax, CHEMICALS (5) Doeflex, Sutcliffe Speakman, STORES (6) Mallett, Moss Bros, Underwoods, ELECTRICALS (2) Optim. Questel, ENGINEERING (2) Dale Grp., Robinson (Thos.), FOODS (1) ASDA, INDUSTRIALS (8) DSC Hldgs., Erskine House, Hawtal Whiting, Interlink Express, London Intl., Sale Tilney, Sheldon Jones, Tech. Project Service, INSURANCE (1) London Utd., LEISURE (2) BCE Hldgs., Mecca Leis., NEWSPAPERS (1) Maxwell Comms., PAPERS (1) Moorgate Grp., PROPERTY (1) Trust of Prop., SHIPPING (1) Ocean Trans., SHOES (1) FII Grp., SOUTH AFRICANS (1) SASOL, TEXTILES (1) Stoddard, TRUSTS (2) Berry Starquest, River & Merc. Stepped Pf., Nat Home Ln. 8.25pc. 2005, OILS (2) Clyde Res., ELF UK 12¼pc. Ln., OVERSEAS TRADERS (1) First Pac. Co., MINES (24) Durban Deep, Egoli Cons., Randfontein, Bracken, Cons. Modds., East Daggs, ERGO, Grootvlei, Leslie, Blyvoor, Buffels, Doelkraal, Driefontein, Elandsrand Gold, Elsburg, Hartebeest, Kloof Gold, Libanon, Southvaal, Stilfontein, Vaal Reefs, Western Deep, F.S. Cons Gold, Harmony, Loraine, St. Helena, Unisel, Anglo Amer. Anglovaal, Gold Fields S.A., Rand Min. Props., Welkom Gold, BHP Gold Mines, Hemlo Gold.

APPOINTMENTS

Directors at British Gas

BRITISH GAS has made changes within its research and technology division. Three HQ director posts have been created under the HQ director of technology, Mr Gerald Clerehugh. Dr Les Mercer has been appointed HQ director, gas research; Dr Ernest Shannon, HQ director of engineering research; and Mr Don Wilson, HQ director of technology transfer. Dr Mercer will be responsible for the proposed British Gas research centre in the Midlands, replacing three research stations, two in London and one in Solihull, West Midlands. Dr Shannon will have responsibility for the engineering research station, near Newcastle-upon-Tyne, and for transmission, distribution and offshore research. Mr Wilson will be responsible for technology marketing, including the international consultancy service, pipeline inspection technology, technology applications and patents and licensing.

■ Mr C.J. Marsland, Mr M.P. Adams and Mr J.D. Lovering will become directors of SEARS on September 30. Mr Marsland is managing director of the footwear division. Mr Adams is managing director of the menswear and childrenswear division. Mr Lovering becomes finance director having been head of group financial planning since 1986. He succeeds Mr Douglas Ward who will remain on the board until his retirement in July.



Mr Christopher J.S. Clegg has been appointed a director of GUINNESS MAHON & CO and HENDERSON CROSTHWAITE CORPORATE FINANCE. He joins from Chase Investment Bank where he was managing director, mergers and acquisitions.

■ Mr Roy Heape has been appointed managing director of MIDLAND LIFE, the joint-venture life company established by Midland Group and Commercial Union Assurance.

■ Mr Maurice Lambert has been appointed a director of BAA. He is chairman of the company's subsidiary, Lynton Property & Reversionary, which was acquired in July.

■ At ROLLS-ROYCE Mr Frank Turner, director-civil engines since September 1987, has been appointed to the board.

■ Mr Derek Rome has been made a director of GRANDFIELD RORK COLLINS FINANCIAL.

■ Mr Richard Massey, chief executive, has been made a director of DERBYSHIRE ENTERPRISE BOARD. Ms Elizabeth A. Rowbottom, the senior investment executive, is appointed a director of Devonshire Enterprise Board (Investments).

■ The BRITISH LINEN BANK has made the following promotions: Mr D.R. Black, assistant director, banking department, has been appointed a divisional director. Mr E.D. Murray, assistant director, corporate finance, has also been made a divisional director. Mr J.E.A. Watt, manager corporate finance, moves up to assistant director.

■ PETER HAND (GB), manufacturer of animal health products and a member of the Hillsdown Group, has appointed Dr Michael Tenneson to the board. He is director of science and production at the company's production and laboratory complex at Leyland.

■ PILKINGTON ELECTRO-OPTIC MATERIALS has appointed Mr Alan Oxley as sales and marketing director. He joined Pilkington on September 1 after a five year spell in Dusseldorf for NEC Electronics

TRAFALGAR HOUSE RESIDENTIAL (EUROPE) has appointed Mr Hugh Miller as managing director in succession to Mr Laurence Creemer who is moving to the US to join the residential property operation in North America. Mr Miller was marketing and sales director of Bovis International Leisure Properties.

■ Mr Peter Andrews has been appointed chief estates surveyor, management, at FRIENDS PROVIDENT.

■ Mr John E. Loosemore has joined HINTON HILL (UK), a member of the British Insurance Brokers' Association, as development director.

COMMODITIES AND AGRICULTURE

Gold price falls again on world markets

By Kenneth Gooding, Mining Correspondent

THE GOLD price fell again in world markets yesterday and closed in London at $409.50 a troy oz, down $2.50 on Friday's close and the lowest level for 18 months.

Mr Graham Birch, precious metals analyst for Kleinwort Greiveson, stockbrokers, predicted: "The traders are going to try to push gold down to $400 in the next few days."

The downward pressure on the price began in New York on Friday and continued in Hong Kong and Europe yesterday. It was widely attributed to the oil-price weakness and consequent implications for inflation.

A sustained fall was likely to accelerate a reorganisation and rationalisation of the gold industry which was already on the cards, said a timely report from Metals & Minerals Research Services, a consultancy group based in London.

The study looked at the eight largest gold producers in Australia, Canada and the US, based on output last year. It said that on the basis of their likely 1990 results, only the biggest five or six could be confident of thwarting predators.

Newmont Gold, Western Mining, Placer Dome, Echo Bay, Placer Pacific and possibly Corona Corporation would be big enough to deter all but the most ambitious from mounting a bid, the report suggested.

All these companies are likely to produce operating profits of more than $170m each in 1990, with a gold price of $450 a troy oz, or more than $110m with gold at $350 an oz.

American Barrick Resources and Homestake Mining also look unlikely takeover targets, especially in the muted atmosphere now prevalent on the world's equity markets.

On the other hand, the study said, if the gold price fell below $400 an oz, or even to $350, "the ambitions and financial muscle of the independents may wane, leaving a store of gold reserves to be added to by those already established as major mining companies."

LAC Minerals, Pegasus Gold, Battle Mountain Gold, Cambior and Australian Consolidated Minerals "may be vulnerable to this scenario."

M&M said those companies, such as Amax Gold and Freeport McMoRan Gold, spun off and given a separate stock-market quote by parents, "could all be seeking growth through acquisition as present production plans and reserves cannot provide the springboard for a move into the big league."

However, any delays to the audacious expansion programmes of companies such as Metana Minerals and Galactic Resources would critically affect the attitude of investors underwriting their growth. Gold output from Metana and Galactic was set to grow at more than 25 per cent a year to 1993 from very small bases, the study said

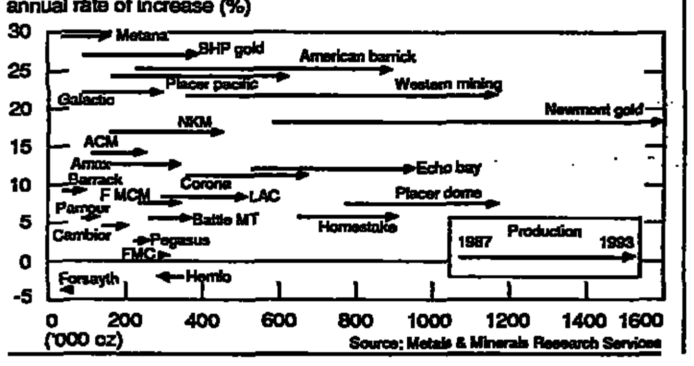
It said the gold industry's destiny was being shaped by factors which only recently emerged at the end of the so-called gold-rush in the first half of the 1980s.

The authors, Mr Tim Petterson and Mr Huw Roberts, said: "Concern is mounting about the ability of investors to absorb an ever-increasing surplus of gold. Equity finance for projects is more difficult to raise. Gold properties with easily-exploitable ore reserves are now harder to find."

Beyond the 1980s' Gold-Rush. Metals and Minerals Research Services, 222 The Strand, London WC2R 1BA. £2,500

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes		
Aluminium standard	+7,075	to 57,200
Aluminium high grade	+9,125	to 95,775
Copper	-2,600	to 113,850
Lead	+3,825	to 66,000
Nickel	+336	to 2,490
Zinc	-450	to 30,600
Tin	-200	to 11,200
Silver (oz).	+60,000	to 14,984,000

Annual gold production 1987-1993



Source: Metals & Minerals Research Services

Optimism surrounds coffee talks

By David Blackwell

OPTIMISM SURROUNDED yesterday's opening of the International Coffee Organisation's fortnight of talks in London. Mr Jorio Dauster, head of Brazil's Coffee Institute, said he believed delegates would set a total global export quota for the coffee year from October 1.

Brazil will seek a cut in the total quota. Consumers want a quota of at least 58m bags (60kg each). This was the initial level of last year's quota, progressively cut to 51.5m bags as prices fell.

Delegates will also discuss the price range to be defended, currently 120 cents to 140 cents a lb. The ICO indicator price last night was 111.6 cents a lb.

The talks are seen as crucial for the future of the International Coffee Agreement which expires next September.

Last night on the London Futures and Options Exchange (Fox) three-month robusta closed £2 a tonne down, at £1,104 a tonne, after recovering from a fall. Dealers said trading was mostly routine, with little fresh business expected as talks continued.

Bitter nightcap for the cocoa agreement

David Blackwell on the ICCO's failure to come to grips with its problems

THE COCOA market has nowhere to go but down following the failure of the International Cocoa Organisation (ICCO) talks in the early hours of Saturday morning. "We have lost two weeks," said a weary delegate.

Yesterday the three-month contract on London Fox touched a new 12¾-year low of £752 a tonne, before recovering to close at £771 a tonne, £7 up on last Friday.

However, the outlook remains bearish. Some traders expect prices to fall as low as £600 a tonne by the start of next year when delegates will reconvene in London to try once more to thrash out the issues that have paralysed the agreement.

The history of the ICCO's attempts to support the market through a buffer-stock system has been bedevilled by internecine wrangling over the rules of the 1986 agreement.

At the talks in the past fortnight in London consumer-countries have throughout emphasised their willingness to negotiate on the biggest problem, the range of prices which the agreement should be trying to defend.

They were hoping for an early settlement of the price issue, together with the question of producer-country arrears in levy payments, so that the talks could move on to the next phase of price defence, a withholding scheme to take another 120,000 tonnes from the saturated world market.

However, producers said from the start that they were not going to be rushed into anything. Their stance has been overshadowed throughout by Ivory Coast, the world's biggest producer, which appeared to have written off the talks from the start.

Mr Félix Houphouët-Boigny, Ivory Coast's President, said before the talks that his country might stay out of the agreement when it expires in 1990, and Mr Denis Bra Kanon, Agriculture Minister, said the pact "appeared to be dying its own death."

Ivory Coast depends on cocoa for about 40 per cent of its export earnings. It refused, after the dispute over defence prices blew up between consumers and producers last March, to sell its cocoa for less than FFr1,200 ($190) per 100kg. Its cocoa is in great demand from Western confectionery-manufacturers.

This led to tightness in world supplies of top-quality cocoa and undoubtedly helped market prices. However, last week Ivory Coast sold about 10,000 tonnes at FFr1,100 per 100kg, equivalent to about £990 a tonne.

The sale contributed to last week's market fall. Analysts believe the country will continue selling as the new crop begins to come into its already swollen stores.

Further, Ivory Coast owes the buffer stock $48m in levies which it is supposed to pay at the rate of $30 a tonne on its exports. Most other producers have followed Ivory Coast's example and buffer-stock arrears now total about $70m.

The two key issues of the price defence range and the levy arrears dominated the ICCO talks throughout. Consumers, optimistic at the outset, gradually despaired of a solution being found.

Producers would not accept the findings of a special panel, set up to adjudicate the dispute, which backed the consumers' case that the rules demanded an automatic downward adjustment.

The talks ended with the prices to be defended remaining in the range of 1,485 Special Drawing Rights to 2,155SDRs, the level they were at six months ago and way out of line with the market. The latest ICCO indicator price stands at 971.60SDRs a tonne.

The level of arrears in levy payments has worried the ICCO secretariat, which proposed that all levies should be suspended from October 1. The 250,000-tonne buffer-stock was completed last March but it still has to be properly maintained by rotation, an expensive business. The secretariat wanted authorisation to sell some of the stock to finance maintenance of the rest.

Ironically, almost the only income for the buffer stock now comes from the consumers, which pay a $30 a tonne levy on imports of cocoa from countries that do not belong to the ICCO.

Consumers backed the proposal to suspend the levy and sell from the buffer stock but producers opposed it. The vote ended in yet another stalemate.

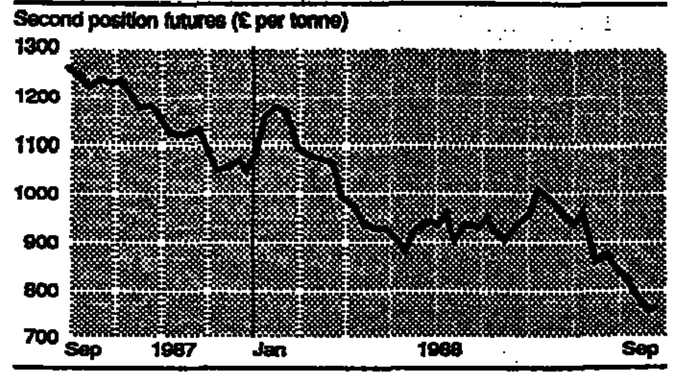
The talks' failure, although expected, has been an additional factor driving down an already weak market. Analysts expect the downward drift to continue as the fifth consecutive year of surplus cocoa production approaches.

Gill & Duffus, the London trader, in its cocoa report estimates the world stockpile will be 743,000 tonnes at the end of this month; the ICCO estimates it even higher at 835,000 tonnes.

In the face of the continuing growth in world production it is difficult to see what the ICCO could possibly do to shore up prices. Consumption is already growing at 3 per cent to 4 per cent a year.

Cocoa

Second position futures (£ per tonne)



Planning to cut deforestation in Indonesia down to size

John Murray Brown on a controversy over switching supply from natural forest to plantations

Mr Bob Hasan, chairman of Indonesia's wood-panel association and acknowledged Svengali of the powerful plywood industry, these days keeps note of the country's timber needs on a small slip of paper in the pocket of his blue safari suit.

Mr Hasan is causing a few raised eyebrows in Jakarta. His latest proposal to switch raw-material supply from the natural forest to plantations has met consternation at a time the industry is under attack from both conservationists and a government publicly committed to a radical shake up of the forests sector.

Many believe Mr Hasan's plan is unrealistic, relying as it does on a subsidised reforestation programme which to date has been a palpable disaster.

The World Bank, in an alarming report by its environmental division, worries that with the current rate of deforestation, supplies to the industry cannot be sustained even at current levels.

The issue has surfaced as Indonesia's plywood exports reached record highs of $1.9bn in the year to last March, mainly on the back of increased housing demand from Japan. The fires have been further fanned by Mr Hasrul Harahap, the new Forestry Minister, who has set out to regale corrupt timber companies for widespread tax abuse and illegal logging practices.

Indonesia is the world's largest supplier of tropical wood products and accounts for 80 per cent of world plywood trade, now the largest source of foreign exchange outside the oil and gas sectors.

The country's forests, which contain the world's richest stands of commercial timbers, were estimated at 114m hectares in 1981, 10 per cent of the world's remaining rainforest. Only the Amazon basin of Brazil is more extensive.

However, rapid degradation has been caused by rapacious logging, slash-and-burn agriculture by smallholders, land-clearance for tree crops and the government resettlement programme.

The United Nation's Food and Agricultural Organisation, based in Rome, estimates that Indonesia is losing forests at a rate of 1m ha every year, more than the UK's Forestry Commission has planted in 40 years since after the end of the Second World War.

The World Bank calculates that, notwithstanding ecological damage, deforestation represents a loss to the Government of a staggering $1bn every year, offsetting total forestry earnings of about $2.5bn. The bank also says the official tally of 55m ha to 60m ha for production forest may today be overstating the case by as much as half.

In April the bank approved a $34m loan, the first of its kind to Indonesia's forestry sector. It will finance a comprehensive inventory of timber stock to help establish a lid on logging extraction, now running at between 26m cu metres and 30m cu metres a year.

The study is also likely to highlight just which of the about 500 concessions have been breaking forest rules, a sensitive subject given that many concessions are used by the Indonesian military to fund hardware purchases.

Poor control is one problem. Only last year two Malaysian timber companies crossed the border into Kalimantan and carved out a 50-mile swathe of valuable hardwood before alerting Indonesian authorities.

More worrying is logging-companies' systematic under-invoicing of their exports. This not only encourages over-logging but represents a considerable tax loss, estimated by FAO to cost the Government $80m every year.

Tax-avoidance is another problem. In April Mr Harahap estimated royalty and stumpage arrears at Rupiah 60bn ($20.9m). The World Bank says that if dues had been collected on all timbers harvested, and tax rates at 1980 levels, the Government could have raised fiscal receipts by $1.2bn in 1980-85.

The bank is now proposing tax reform and an extension to the current 20-year concession. The present system, because it is shorter than the forest's 35-year harvest-cycle, is seen to provide little incentive for 'good' long-term forest management.

If anything, problems facing the plywood industry are more severe. Indonesia, before banning log exports in the early-1980s, used its monopolist position as a timber-exporter to restrict output without adversely affecting revenues.

Today the industry is under pressure to increase extraction rates just to recover the $2bn cost of investing in more than 100 plywood factories and sawmills. Mr Hasan says his members are only now coming into profitability.

The Government has, in effect, taken a large stake in domestic industry without receiving equity shares for the investment. It was calculated, in a 1986 study, that for every dollar gained in plywood exports more than four were lost in log-shipments, because ply was sold at prices below output costs, and timber-conversion rates remained low.

Employment gains, part of the Government's initial rationale, have been minimal. The forestry sector contributes less than 3 per cent of gross domestic product, a measure of incomes in the sector. The tax ratio has actually been falling since 1979.

Even arguments for technology-transfer are less than convincing, with much of the plant and machinery imported from suppliers in Japan and South Korea on a forward-contract basis at fixed prices.

The industry now sets great store by its plantation programme. Mr Hasan says only veneers will be supplied from the natural forest in future. Under the scheme new plantations will cover 4.4m ha by the year 2000, at a cost of about $4bn. Mr Hasan says Indonesia, taken with the Dutch colonial estates, will have a plantation stock of 6.2m ha, increasing at a rate of 90m cu metres every year.

However, to date only 30,000 ha have been established. Poor species-selection is one handicap, resulting in a 30 per cent tree-failure rate. Moves to get lumber companies to reforest their concessions have met with little enthusiasm. The reforestation fee, charged at $4 a cu metre of cut timber, which was intended to fund replanting, is treated by many companies as just one more tax.

Even were the plan to succeed, the long-term concern is that rainforest will be clear felled and planted with less valuable, fast-growing species.

"That would be like selling your Rolls-Royce to get five VWs," said a US forester.

WORLD COMMODITIES PRICES

LONDON MARKETS

ALUMINIUM PRICES came under pressure in morning trading on the LME on news that stocks of the metal in LME warehouses rose a total of 16,200 tonnes last week. News that the Jamaican bauxite-alumina industry suffered relatively minor damage from Hurricane Gilbert may have aided the fall, traders said. In the afternoon prices rallied on mixed buying and shortcovering which developed below the $2,250-equivalent chart support level, and three-month standard grade metal closed only £1.50 off at £1,374.50 a tonne. Copper prices also declined. In the afternoon the market followed an early dip and subsequent rally on Comex, traders said, but the pace of trading remained slow. The London soyameal futures market went limit down in the afternoon, extending morning losses and following weakness in Chicago.

SPOT MARKETS

Crude oil (per barrel FOB September)		+ or -
Dubai	$11.50-1.67z	-0.34
Brent Blend	$13.10-3.17q	-0.35
W.T.I. (1 pm est)	$14.46-4.49q	-0.22
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$169-171	-1
Gas Oil	$118-120	-3.5
Heavy Fuel Oil	$62-63	-1
Naphtha	$131-133	-3
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$409.5	-2.5
Silver (per troy oz)♣	630c	-8
Platinum (per troy oz)	$503.75	+13.50
Palladium (per troy oz)	$118.50	-1.25
Aluminium (free market)	$2405	-30
Copper (US Producer)	111¼-113c	
Lead (US Producer)	37c	
Nickel (free market)	540c	
Tin (European free market)	£4440.0	-42.5
Tin (Kuala Lumpur market)	19.80r	-0.09
Tin (New York)	345.5c	-1.5
Zinc (Euro. Prod. Price)	$1312.5	
Zinc (US Prime Western)	65¾c	
Cattle (live weight)†	112.16p	-1.56*
Sheep (dead weight)†	150.34p	-12.1*
Pigs (live weight)†	72.31p	+2.19*
London daily sugar (raw)	$255.6s	+12.6
London daily sugar (white)	$250.5s	-5.5
Tate and Lyle export price	£261.5	-8.0
Barley (English feed)	£110q	
Maize (US No. 3 yellow)	£127v	
Wheat (US Dark Northern)	£122.25u	-0.75
Rubber (spot)♥	64.50p	-2.00
Rubber (Oct)♥	71.00p	-2.00
Rubber (Nov)♥	71.50p	-2.00
Rubber (KL RSS No 1 Oct)	310.5m	-4.5
Coconut oil (Philippines)§	$555s	-5
Palm Oil (Malaysian)§	$425q	
Copra (Philippines)§	$385	
Soyabeans (US)	$208.5	+0
Cotton "A" Index	57.05c	-0.70
Wooltops (64s Super)	665p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. q-Oct. s-Sep/Oct. w-Nov/Dec. v-Oct/Dec. z-Nov. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low
Sep	836	824	827 810
Dec	771	764	772 752
Mar	765	756	765 745
May	775	766	775 758
Jul	789	781	789 771
Sep	805	794	802 786
Dec	850	835	842 825

Turnover: 3634 (5709) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 16: 940.36 (982.73); 10 day average for Sep 17: 971.60 (977.97).

COFFEE £/tonne

	Close	Previous	High/Low
Sep	1115	1118	1115 1103
Nov	1104	1106	1115 1085
Jan	1084	1091	1090 1068
Mar	1069	1078	1070 1054
May	1065	1076	1070 1054
Jly	1067	1080	1060 1052
Sep	1068	1085	

Turnover: 1861 (4449) lots of 5 tonnes
ICCO indicator prices (US cents per pound) for Sep 16: Comp. daily 111.90 (110.68); 15 day average 111.60 (111.58).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low
Oct	213.00	222.60	224.00 211.00
Dec	223.80	225.20	223.80 223.60
Mar	211.00	221.40	222.80 207.40
May	209.00	218.50	219.00 208.60
Aug	211.20	217.00	218.00 211.20
Oct	207.00	213.00	[illegible]
White			
Oct	242.50	249.00	246.50 242.00
Dec	236.50	243.80	250.30 236.50
Mar	239.00	246.80	247.00 239.60
May	240.00	246.50	248.00 240.00
Aug	244.00	250.80	246.50 244.00

Turnover: Raw 7565 (5681) lots of 50 tonnes. White 2293 (669).
Paris- White (FFr per tonne): Dec 1520, Mar 1510, May 1510, Aug 1525 Oct 1510, Dec 1520

GAS OIL $/tonne

	Close	Previous	High/Low
Oct	120.50	123.50	121.00 118.75
Nov	122.25	125.00	122.50 120.50
Dec	124.50	127.25	124.75 122.75
Jan	124.50	126.50	124.25 122.50
Feb	124.00	125.00	122.75 122.50
Mar	122.50	123.00	121.00 120.50

Turnover 5382 (4362) lots of 100 tonnes

GRAINS £/tonne

Wheat	Close	Previous	High/Low
Sep	108.25	108.90	108.65 108.25
Nov	110.00	110.35	110.25 110.00
Jan	112.70	112.40	112.35 112.00
Mar	114.70	115.10	114.75 114.70
May	117.40	117.70	117.50 117.30
Jun	119.05	119.05	
Barley			
Sep	104.50	104.30	104.60 104.50
Nov	106.40	106.30	106.65 106.35
Jan	109.10	108.95	109.10 109.00
Mar	111.10	110.90	111.10 111.00
May	113.00	113.00	112.65

Turnover: Wheat 152 (235), Barley 175 (97).
Turnover lots of 100 tonnes.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 2,650 tonne
Cash	2390-400	2415-35	2390	2390-10		
3 months	2380-90	2370-80	2340	2340-5	2350-70	10,284 lots
Aluminium, 99.5% purity (£ per tonne)						Ring turnover 23,000 tonne
Cash	1415-20	1425-30	1375/1372	1375-7		
3 months	1374-5	1375-7	1380/1346	1347-8	1364-5	46,807 lots
Copper, Grade A (£ per tonne)						Ring turnover 45,150 tonne
Cash	1459-60	1479-81	1460/1454	1458-7		
3 months	1413-4	1428-30	1418/1411	1412-3	1412-3	84,628 lots
Copper, Standard (£ per tonne)						Ring turnover 0 tonne
Cash	1390-400	1420-30		1395-400		
3 months	1360-70	1385-90		1360-70		39 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	624-7	636-9		625-8		
3 months	637-40	648-52		636-9		468 lots
Lead (£ per tonne)						Ring turnover 11,825 tonne
Cash	362-3	368-8	365/361	360-1		
3 months	367-8	371-5	370/366	368-7	367-9	10,644 lots
Nickel ($ per tonne)						Ring turnover 780 tonne
Cash	11700-800	12000-100	11900/11700	11700-800		
3 months	10900-50	11000-50	11000/10900	10900-1000	10950-1000	6,486 lots
Zinc ($ per tonne)						Ring turnover 13,350 tonne
Cash	1355-60	1336-40	1355/1340	1341-2		
3 months	1325-6	1318-9	1327/1315	1316-8	1317-20	20,462 lots

POTATOES £/tonne

	Close	Previous	High/Low
Feb	70.0	70.0	
Apr	91.2	88.9	92.0 89.0
May	102.3	98.8	103.0 100.0

Turnover 385 (540) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low
Oct	175.00	180.50	174.10
Dec	182.50	188.00	184.00 182.00
Feb	186.60	193.00	

Turnover 114 (490) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low
Sep	1312	1323	1319 1311
Oct	1415	1422	1420 1415
Jan	1476	1485	1478 1475
Apr	1523	1535	1525 1520
Jul	1324	1335	1330 1324
BFI	1289	1289	

Turnover 81 (156)

TEA

At the London tea auction yesterday there were 21,518 packages on offer including 2,200 offshore, reports the Tea Brokers Association. The market continued selective with better liquoring teas from each origin attracting most interest. Quality assams met increased competition and prices often showed substantial increases of up to 22p per kilo. New season Bangladesh teas sold readily at firm to dearer levels. There was good demand for brighter liquoring East Africans at little change in rates but others were irregular and tended easier. Plainer Central Africans also declined. Ceylons were well supported and prices strengthened. Offshore teas met limited enquiry. Quotations: quality 190p (184p), medium 98p (98p), low medium 82p (82p).

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	408¼-408¾	244-244½
Opening	407¼-408¼	242½-243
Morning fix	409.40	243.816
Afternoon fix	409	243.859
Day's high	409¾-410	
Day's low	407½-408	
Coins	**$ price**	**£ equivalent**
Mapleleaf	421½-426½	251-254
Britannia	421½-426½	251-254
US Eagle	421½-426½	251-254
Angel	418-423	249-252
Krugerrand	408-412	244-246
New Sov.	96¾-97¾	57¼-58
Old Sov.	96¼-97¼	57¼-58¼
Noble Plat	513.95-21.05	306.4-310.6

Silver fix	p/fine oz	US cts equiv
Spot	373.10	629.00
3 months	386.40	642.00
6 months	396.85	656.50
12 months	421.40	684.80

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
2250	202	206	50	127
2350	141	158	89	178
2450	93	119	139	235
Copper (Grade A)	**Calls**		**Puts**	
2250	191	184	41	131
2350	129	128	77	186
2450	81	78	128	250

US MARKETS

PRECIOUS METAL prices continued to slip as buyers remained absent from the market, reports Drexel Burnham Lambert. Gold prices fell 2.80 while platinum declined 12. Silver lost 10 cents in early trading but rebounded to close up 3 cents. Arbitrage selling in the copper weakened prices by 70 points in light volume. In the soft markets, sugar futures were down 73 due to new shorts from commission houses and local traders. Cocoa gained 11 in quiet trading. The meat markets were dominated by the commission houses. Resting stop orders added to the sell off. The grain markets featured funds selling and continued local selling due to its technically weak condition. Soybeans lost 28½ in the November contract. Cotton prices declined 80 after breaking support levels early in the day. In energy trading, fund buying prevented crude oil from expiring off. Short covering due to the expiration of the October contract also gave the market strength.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Aug	[illegible]	[illegible]	[illegible]

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low
Sep	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low
Oct	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]
Feb	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Jun	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)

Sept 16	Sept 15	mnth ago	yr ago
[illegible]	[illegible]	[illegible]	[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	[illegible]	[illegible]	[illegible]	[illegible]
Futures	[illegible]	[illegible]	[illegible]	[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

LIVE HOGS 30,000 lb; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low
[illegible]	[illegible]	[illegible]	[illegible]

WORLD STOCK MARKETS

AUSTRIA · BELGIUM/LUXEMBOURG · DENMARK · FINLAND · FRANCE · GERMANY · GERMANY (continued) · ITALY · NETHERLANDS · NETHERLANDS (continued) · NORWAY · SPAIN · SWEDEN · SWEDEN (continued) · SWITZERLAND · SOUTH AFRICA · JAPAN · AUSTRALIA · AUSTRALIA (continued) · HONG KONG · SINGAPORE

[illegible]

JEOL	1,050	—
JAL	13,700	-100
Japan Radio	1,520	+20
Japan Steel Wks	598	—
Jap S Battery	621	-25
Japan Synth Rbr	1,060	-10
Jujo Paper	985	+50

Nikko Sec.	1,690	+20
Nikon Corp.	1,360	+10
Nippon Denso	1,960	-30
Nippon Express	1,510	—
Nippon Gakki	2,180	+10
Nippon Hodo	3,050	+40
Nippon Kayaku	1,250	+20

Taisho Marine	1,060
Taisho Pharm	1,990
Taiyo Fishery	549
Taiyo Kobe Bank	1,380
Takara Shuzo	881
Takeda	2,630
Tanabe Seiyaku	1,950

CANADA

TORONTO

Closing prices September 16

[illegible]

MONTREAL

Closing prices September 16

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 19

Continued from page 51

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Simpin .80	11	15	13½	13¼	13¼	
Sizler	15	72	18	17¾	17¾	- ½
SmthF	6	19	34½	34½	34½	
Society 1.36	9	18	36¼	36¼	36¼	- ⅛
SoctySv .60	7	125	20½	20¼	20½	
SftwPb	17	665	24	22⅞	23⅛	-1⅛
SonrSv .28	5	60	10¼	10	10⅛	- ⅛
SonocPd .72	17	249	29⅝	29¼	29½	- ½
SCarNt .84	9	55	22½	22⅝	22⅝	
SCalWt 2.02	10	5	27½	26¾	26¾	- ⅜

Telmatc	22	250	10⅜	10⅛	10⅛	
Telxbe	13	75	13⅞	13½	13½	- ½
Telxon .01t	18	116	17½	16½	16½	-1
Tennant .96	13	4	25½	25½	25½	+ ⅛
Teradta	24	239	15½	14¾	14¾	- ½
3Com	22	898	17⅞	17¼	17⅜	- ½
ThftyRt	13	169	20	19½	19½	
TokioF s t	62	10	69	69	69	+ ⅛
Topps s .40e	7	175	13¼	13½	13⅝	
Tradin s	7	10	10½	10¾	10½	+ ⅛

ValNtl 1.44	22	129	31⅞	31⅝	31⅝	- ¼
Valmnt s .33	8	x18	20¼	19¾	20	- ¼
VgrdCl		157	20¼	20	20¼	
Varitrn	21	239	23½	23	23	- ⅛
Varien .60b	12	54	21½	21¼	21¼	- ⅛
Veronx g		385	4⅜	4¼	4¼	- ⅛
Versa s	13	20	16⅞	16	16½	- ⅛
Vicorp	89	387	12⅝	12½	12½	- ⅛
ViewMs		559	4⅛	4	4	
Viking	20	40	u36¾	35⅝	35⅝	+ ⅝

—X—Y—Z—						
XL Dt s	14	484	23⅝	23¼	23⅜	+ ½
XOMA		152	14¾	14¼	14⅜	- ⅜
X-Rite s	15	92	12	11½	11½	- ½
Xicor	16	126	9¼	9	9⅛	
Xylogic	7	10	7¼	7¼	7¼	
Xyvsn	3	18	5¼	5¼	5¼	
YlowF s .70	18	171	28⅞	28½	28⅝	
ZionUt 1.44		2	23	23	23	

TOKYO - Most Active Stocks

Monday 19 September 1988

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Steel	181.5m	785	+12	Mitsubishi Heavy	48.0m	973	+20
NKK	101.9m	763	+16	Tokyo Gas	39.0m	1,300	+30
Kawasaki Steel	96.0m	620	+16	Toshiba	28.4m	1,160	+10
Sumitomo Metal	53.0m	670	+21	Nippon Express	18.3m	1,510	uch
Kobe Steel	48.4m	608	+18	Honshu Paper	16.9m	828	+58

INDICES

NEW YORK — DOW JONES

	Sep 16	Sep 15	Sep 14	Sep 13	1988 High	1988 Low	Since compilation High	Since compilation Low
♦Industrials	2098.15	2092.28	2100.64	2083.04	2158.61 (5/7)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	89.15	88.98	88.87	88.88	93.25 (3/3)	86.12 (4/1)	—	—
Transport	876.94	870.37	875.30	873.57	908.45 (5/7)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	180.24	179.05	179.82	178.76	190.02 (29/1)	167.26 (26/4)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2113.26 (2112.55) Low 2077.70 (2084.28)

STANDARD AND POOR'S								
Composite ♦	270.65	268.13	269.31	267.43	275.66 (22/6)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrials (Latest)	310.85	307.94	309.39	306.95	318.54 (22/6)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financials	26.05	25.70	25.80	25.74	26.65 (16/9)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	152.79	151.60	152.25	151.15	155.35 (22/6)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	298.22	297.70	298.35	296.79	309.33 (8/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	383.91	382.70	383.86	382.38	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Sep 12	Aug 19	Aug 12	year ago (approx.)
Dow Industrial Div. Yield	3.71	3.79	3.75	2.63

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CANADA

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NEW YORK ACTIVE STOCKS

[illegible]

AUSTRALIA · AUSTRIA · BELGIUM · DENMARK · FINLAND · FRANCE · GERMANY · HONG KONG · ITALY · JAPAN · NETHERLANDS · NORWAY · SINGAPORE · SOUTH AFRICA · SPAIN · SWEDEN · SWITZERLAND · WORLD

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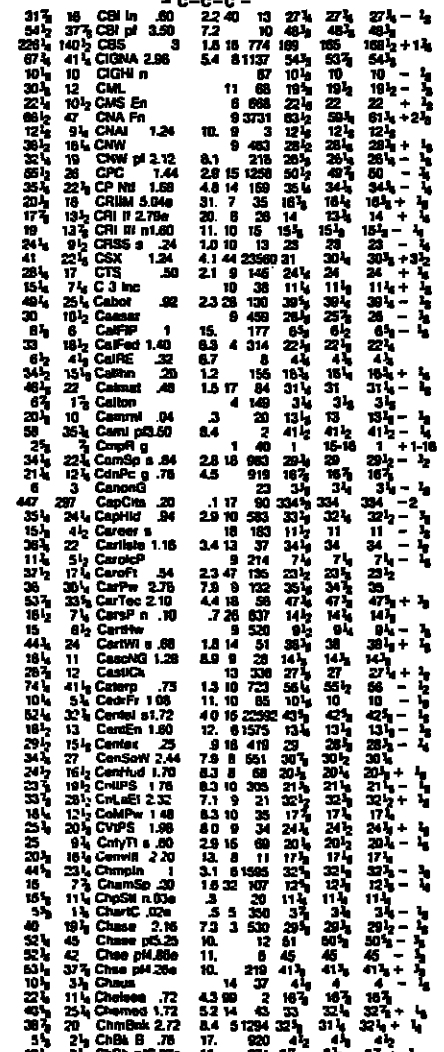
2pm prices September 19

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		Data omitted because of technical difficulties								
		Data omitted because of technical difficulties								
28¾	14⅝	AVMCO	.34	1.4	12	3	23⅞	23⅞	23⅞	
27½	15¼	Avery	.48	2.1	22	218	22½	22¼	22½	
39⅛	18½	Avnet	.50	2.5	14	907	20⅛	20	20	-⅛
35¼	19¼	Avon	1	4.1	72	1649	24¼	24⅛	24⅛	-⅛
28¼	22⅞	Avon pf	2	8.0		77	24⅞	24⅝	24⅞	+⅛
35⅛	16	Aydin			11	133	22⅛	22⅛	22⅛	
		-B-B-B-								
31⅞	23½	BCE g	2.44			175	30	29⅞	29⅞	-⅛
20⅛	13⅞	BET	.79e	5.4	11	453	14⅝	14⅝	14⅝	-⅛
8¾	3¼	BMC			8	142	7⅞	7⅛	7⅞	-⅛
31⅞	23½	BRE	2.40	7.8	16	2	30¼	30¼	30¼	-¼
19⅜	14½	BRT	2.48	13.	7	30	18¾	18½	18½	
41⅞	20	Bairnco	.90	3.7		180	25⅛	24½	24½	-⅞
28¼	11⅛	BakrHu	.46	3.5		1073	13⅝	13¼	13¼	-½
60⅛	38⅞	BkrH pf	3.50	8.9		334	41½	d38½	39½	-2
45	25⅞	Ball	1.08	3.7	11	113	29⅞	29	29⅛	-⅞
25¾	10½	BallyMf	.24	1.0	34	3782	23⅞	22⅞	23¼	+½
18½	9¾	BaltBcp	.50	3.3	60	75	15¼	15	15	-¼
34	19	BaltGE	2	6.5	9	432	30⅞	30⅝	30⅝	-¼
27⅝	16⅛	BncOne	.92b	3.6	10	490	25⅞	25½	25⅞	
4⅛	1	BanTx n				2	1	1	1	
67¼	42	Bandag	.80	1.3	15	53	61¼	60⅛	61¼	+¼
32¾	17⅞	BkBost	1.08	4.1	10	640	27¼	26½	26½	-⅞
34¼	20¼	BkNE	1.36	5.0	9	313	27⅞	27⅛	27⅛	-¼
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]



Continued on Page 51

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
10¼	9½	Texfi pfB				1	9⅝	9⅝	9⅝	
34⅜	17¼	Textrn s	1	3.9	8	1585	26	25⅝	25¾	-⅛
20¼	12¼	Thai n				43	13⅜	13¼	13¼	-⅛
24	10	ThrmEl			18	38	19⅛	19	19⅛	+⅛
64¾	41½	ThmBet	1.84	3.7	15	130	49¾	49½	49⅝	-⅛
24½	13⅝	Thomin	.68b	2.9	13	12	23⅝	23⅛	23⅛	-⅛
22⅝	8⅛	ThmMed	.40	1.8	14	13	21⅝	21⅝	21⅝	
11¾	9	TMAM	n1.20	11.	10	16	11	10⅞	11	+⅛
23⅛	10	Thorind	.12	.9	11	25	13⅛	13	13	-⅛
20½	3⅜	Thortec				93	5	4⅝	4⅞	-⅛
9	4	Tidwtr				152	6⅞	6⅝	6⅝	-⅛
38½	14½	Tiffany	.20	.5	19	1503	38	37½	37½	-½
17½	5¾	Tigerln			8	1951	13⅛	12⅞	13	-⅛
109⅝	65¾	Time	1	.9	23	2537	108½	106	107⅞	+½
51⅛	29	TmMir s	.92	2.9	14	1399	32¼	31¾	31⅞	-½
41¼	21⅝	Timkn s	.80	2.4	22	321	33⅝	33⅛	33⅛	-⅞
6⅝	2½	Titan				27	2⅝	2½	2⅝	+⅛
11¾	8½	Titan pf	1	11.		7	9⅜	9⅜	9⅜	+¼
5½	1⅝	vjTodSh				1	2¾	2¾	2¾	
8½	2½	vjTdS pf				3	6⅞	6⅞	6⅞	-⅛
29	13⅞	Tokhem	.48	2.5	11	21	19½	19⅛	19⅛	+⅛
27	23¼	TolEd pf2.81		11.		17	25⅞	25⅞	25⅞	+¼
22½	19¼	TolEd pf2.21		11.		12	20⅝	20⅝	20⅝	+⅛
22¾	19¾	TolE adjpf2.28		11.		5	20⅞	20⅞	20⅞	-⅛
10¼	4⅞	TollBro			7	42	5¾	5⅝	5¾	
20⅛	7⅞	Tonka				183	8⅞	8⅝	8⅝	
35⅝	20¼	TootRl	.25b	.8	17	11	30⅞	30¼	30¼	-⅛
33½	21⅞	Trchmk	1.20	3.8	10	319	31¾	31½	31⅝	-⅛
24⅞	11⅛	Toro	.48	2.5	10	x266	19¼	19	19	+⅛
3⅜	1⅛	Tosco			6	831	3	2⅞	2⅞	-⅛
[illegible]										

AMEX COMPOSITE PRICES

2pm prices September 19

[illegible]

OVER-THE-COUNTER

Nasdaq national market, 2pm prices September 19

[illegible]

Continued on Page 49

AMERICA

Equities fall sharply after last week's healthy rise

Wall Street

EQUITIES fell sharply at the start of a week which will see a substantial batch of data on the US economy. The share price losses appeared partly to reflect profit-taking after last week's gains and also some technical positioning after last Friday's expiration of leading futures and options contracts, *writes Janet Bush in New York.*

The Dow Jones Industrial Average dropped by nearly 30 points at one stage yesterday morning before recovering some ground to stand 22.23 points lower at 2,075.92 at 2pm.

The fall came in modest volume of 81m shares by midsession and most of the activity appeared to be between professionals rather than genuine selling by institutions.

The US Treasury bond market traded quietly with prices slipping slightly.

At midsession, prices were quoted up to ½ point lower at the long end of the yield curve and the yield on the Treasury's benchmark long bond rose to 9.04 per cent.

There was nervousness in the bond market about today's meeting of the policy-making Federal Open Market Committee, in spite of the prevailing view that, with signs that the economy's explosive growth is slowing, the Fed will not tighten monetary policy any further at this stage.

However there is a view that the Fed may well tighten policy again later this year, something which is keeping bond traders on the defensive.

Among the key indicators released this week are the second revision in second-quarter GNP today, which should show little change.

Tomorrow sees the release of consumer prices figures for August, expected to show a rise of 0.4 per cent to 0.5 per cent, as well as housing starts and personal income and expenditure for last month. August durable goods orders are due for release on Friday.

Yesterday morning's sharp fall on the equity market could not be traced to any particular piece of news or a clear change in sentiment.

Stocks analysts said the selling was in reaction to last week's gain in the Dow index of just under 30 points.

All last week, the market displayed resistance to rising much above the 2,100 level, last breached in early August. Last month, the Dow gently drifted down to just below the 2,000 level before rallying again to 2,100 last week.

Mr Edgar Peters, senior portfolio manager at the Boston Co, said he believed that the market would remain in a narrow range, possibly between 2,000 and 2,100, until US interest rates started to come down again.

He said he continued to believe that a number of indicators suggested that the bull market cycle was at an end and that the stock market would enter a long-term decline. He said there was not much potential in the market at the moment.

Among featured stocks was Liggett Group, which fell $1⅝ to $11 after American Brands executives said they would not buy the company in order to head off a possible takeover attempt by Mr Bennett Lebow, the New York investor who controls Liggett. American Brands was up $⅛ at $51⅞ in midsession trading.

CSX added $3⅜ to $30⅞ after the company announced a restructuring which will include the repurchase of up to 60m of its common shares or 38 per cent of its common shares outstanding. The company also said it was launching a programme of aggressive cost-cutting.

It was an eventful day for computer companies. Compaq dipped $⅞ to $55⅝, displaying weakness along with other technology issues despite the launch of a personal computer. Unisys, which announced several mainframe computer models about twice as powerful as the ones they will replace, fell $⅝ to $32½.

Elsewhere, Hewlett-Packard dropped $⅝ to $48⅝ and Cray fell $1⅞ to $74⅛.

Reebok, the manufacturer of sports shoes, fell $1 to $11 in weakness which carried over from last Friday when the company said that it expected to report lower earnings for the third quarter compared with 44 cents a share a year ago.

Audio/Video Affiliates added $1⅞ to $7⅝ after news that it had agreed to be bought by a subsidiary of Citicorp for $8.50 a share.

CNA Financial jumped $2⅛ to $61⅞ on rumours that Loews Corp may be considering selling its 80 per cent stake.

Blue chips cheered by Greens' poll result

Sara Webb looks at why Swedish investors are breathing a sigh of relief

The Stockholm bourse gave a resounding welcome yesterday to the Social Democrats, who succeeded in holding onto power in the Riksdag after Sunday's general election with 43.7 per cent of the vote.

Together with their traditional allies, the small Communist party, the Socialist bloc won 49.6 per cent of the votes while the Green Party failed to win enough seats to be in the position of holding the balance of power.

General enthusiasm over what is seen as a strong, stable ruling party with favourable economic policies helped lift equities. Investors breathed a sigh of relief over the result for the Green Party, which nevertheless succeeded in entering Parliament for the first time.

Opinion polls before the election had suggested a much stronger result for the Greens, causing widespread alarm among investors and industrialists at the thought of what their environmental policies would mean for Sweden's blue chips.

The Veckans Affärer Total index jumped 11.8, or 1.1 per cent, to close at 1,097.8 yesterday – taken as a sign of confidence in the economic policies of Mr Kjell-Olof Feldt, the Finance Minister.

The Stock Exchange's index of the top 16 stocks rose by 1.7 per cent to 676.58 during the day. "That's a good increase, the market is obviously relieved with this solution," said an analyst at Svenska Handelsbanken.

Among blue chips, Asea saw its B free shares rise SKr7 to SKr352, while Saab Scania gained SKr6 to SKr200.

Skandia International, the insurance group, enjoyed a jump of SKr8, or 5.3 per cent, in its A shares to SKr160. Its rise actually had more to do with expectations that claims from the hurricane disaster would be less than previously supposed, rather than the election news.

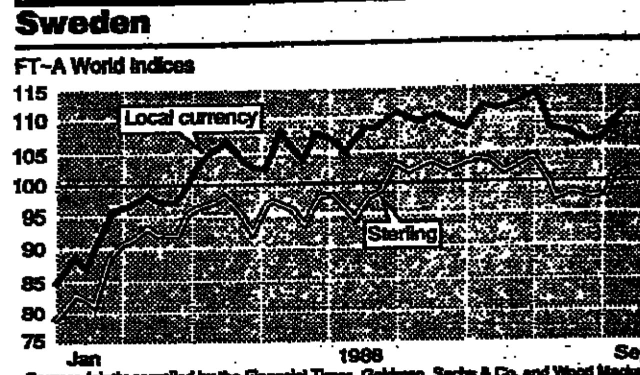
Total turnover reached SKr286m worth of shares, higher than in the preceding weeks but still not at the levels attained earlier in the year. Institutions are still waiting to see what happens next, but are expected to increase their activity in the next couple of weeks.

"The market has been very strong all day," said a broker at Haegglöf & Ponsbach. "The elimination of the Greens from a power-broking position has obviously been considered very positive by the market as they won't be able to push through their revolutionary measures which would have hurt the forestry, construction and energy sectors."

Brokers also expressed their optimism over a possible elimination of the turnover tax on shares for foreigners, and a continuation of the process of deregulation and liberalisation in the Swedish markets, as well as tax reform.

Svenska Handelsbanken was bullish in the short-term but warned that in the long-term developments looked uncertain, particularly regarding inflation and high wage costs.

Sweden



Source: Jointly compiled by the Financial Times, Goldman, Sachs & Co. and Wood Mackenzie & Co. Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries

SOUTH AFRICA

THE sharply weaker bullion price was countered again by a drop in the value of the financial rand, leaving gold issues only slightly lower at the end of a quiet session.

The financial rand finished at R4.0800 to the dollar yesterday against Friday's close of R3.9600.

Beatrix and Driefontein each shed 25 cents to R11.50 and R31.25 respectively. In mining financials, Consolidated Golds rose a further R1.75 to R73 on expectations it will sell its South African interests.

Anglo American's Minorco, rumoured as likely to be involved in any Cons Gold deal, gained R1 to R48.75, while the Rembrandt group, also mentioned in relation to any deal, held steady at R17.30.

Canada

THE lower bullion price proved a blow to gold stocks in Toronto, and their losses led the market lower at midsession.

The composite index was off 16 at 3,245.8 in light turnover of 8.8m shares.

In golds, American Barrick lost C$⅞ to C$8⅞, LAC slipped C$⅛ to C$11⅞ and Echo Bay lost C$⅛ to C$19⅞.

Among most actives, Canadian Pacific slipped C$⅛ to C$20⅞.

EUROPE

Foreign buying propels Frankfurt

THERE were broad gains in Europe yesterday, except for Paris, which took a breather from last week's excitement, *writes Our Markets Staff.*

FRANKFURT pursued its gains of last week in lively trading as foreign and domestic investors continued to show interest in blue chips, especially in the banking sector.

The FAZ index at midsession progressed to 515.09, a gain of 7.8 points on Friday and of 5 per cent during the past six trading days. The DAX real time index also closed at a 1988 high, up 17.61 at 1,252.66.

Turnover reached DM3.9bn worth of domestic shares, higher than last week's greatly improved levels, with UK buyers emerging after many weeks' absence.

One trader warned that the strong rise made the market look slightly overheated, and that the sharp early setback on Wall Street yesterday might lead to a correction. But he added that West Germany looked cheap compared with other world markets and the FAZ was unlikely to fall back through the 500 level.

Among the strongest performers was Dresdner Bank, up DM16.50 at DM293. There were reports a buyer had been picking up 25,000 to 50,000 shares a day through Switzerland for the past few days. On Sunday a newspaper reported that Allianz, the insurance group, had been buying Dresdner. The bank was the most active stock, with DM286m traded.

Cars were mixed, with Daimler up DM5.20 at DM704.20 and VW losing 30 pfg to DM263.20 on rumours of an equity warrant bond issue this week.

Bonds had an active session, rising by up to 25 pfg. The yield on the August 1998 federal bond eased to 6.59 per cent from 6.62 per cent.

PARIS chose to reflect on last week's hectic trading, with shares ending virtually unchanged in reduced volumes.

Perrier and Bouygues moved into the limelight in terms of strong demand, taking over the spot from last week's darling, luxury goods group LVMH. Perrier saw about 70,000 shares traded, rising FFr2 to FFr1,100, amid speculation that one of the controlling family members wants to sell his stake.

Fellow drinks group Pernod, which climbed FFr10 to FFr1,065, said 45 per cent of the company's capital was controlled by the directors, making the group well protected from predators. It also said it could be persuaded to sell its French rights to market and distribute Coca-Cola – at the right price.

Bouygues, the leading construction company, saw about 54,000 shares dealt, reviving rumours of a possible management buyout. The stock eased FFr3.20 to FFr457.80.

The opening CAC General index put on 2.1 to 366.6 and the OMF 50 index closed the session at 369.60, off just 0.04.

MILAN made a strong start to the new monthly trading account, with shares boosted by the launch of the L1,100bn Generali rights issue. The Comit index gained 7.08, or 1.4 per cent, to 526.13, with about 1 per cent of the rise attributed to buying on the new account. Volume was said to be similar to Friday's improved L148bn.

Generali closed at L39,680, a gain of L1,260 on the basis of a nominal Friday close of L38,420 – the equivalent of the actual share price under the new share structure – but fell back to L39,250 after hours.

It was helped by speculation that 10-20 per cent of the rights will not be subscribed to and will thus be available for trading, leaving open the possibility of a raider building up a stake, one analyst said.

BRUSSELS powered forward on continued heavy demand for Tractebel, the energy and engineering holding company. The forward market index climbed to a new high for the year of 5,354.37, up 75.89.

AMSTERDAM had a thin day, easing from its highs after Wall Street's weak start. The CBS all-share index added 0.1 to 96.4, with many investors sidelined for today's Budget.

Publisher Elsevier came off 20 cents to Fl 59.80 after opening 20 cents higher following last week's share swap with Pearson of the UK.

Retailer Ahold added 40 cents to Fl 82.50 after its 12 per cent higher second quarter profits on Friday. Leisure stock Center Parcs added 50 cents to Fl 69.20 after reporting higher first half profits of Fl 17.4m.

London

CONCERN over inflation and interest rates hit share prices and volumes, and the FT-SE 100 index lost 5.8 to 1,758.9. Speculative trading in such stocks as Pearson and Consolidated Golds provided some excitement.

ASIA PACIFIC

Profit-taking eats into early gains

Tokyo

THE Nikkei average managed to climb past the 28,000 mark yesterday for the first time since August 24, but ended the day at 27,901.00, up only 34.62 points, *writes Michiyo Nakamoto in Tokyo.*

It reached a high of 28,034.03 in morning trading, dipping later to a low of 27,863.88.

The market was a typical example of the so-called "morning glory phenomenon," said Mr Chuck Lambert of SBCI Securities (Asia).

After climbing nearly across the board in the morning, share price gains shrank in the afternoon on rapid profit-taking, with the notable exception of paper pulp stocks, which were the main gainers.

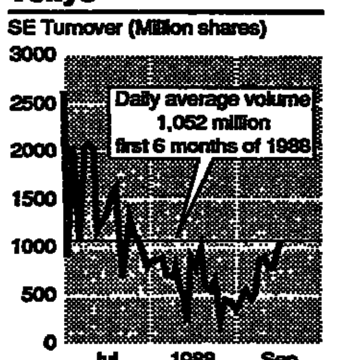
The number of shares falling outnumbered those rising by 439 to 405, while 187 issues were unchanged. Volume was down slightly to 1.05bn from Friday's 1.13bn. In later trading in London, the ISE/Nikkei index added 3.76 to 1,826.06.

In Tokyo, large capital steels and shipbuildings supported by leading securities houses also posted gains, but their strength failed to rub off on other issues.

The improvement in volume since the end of last week reflects increased participation of fund managers, as they enter their new financial terms, but most analysts agree that activity has yet to show real strength.

Among paper companies, Oji Paper increased Y50 to Y1,450 while Honshu advanced Y58 to Y828 in heavy trading. Jujo Paper gained Y50 to Y985.

Tokyo



The strength of paper pulps was ostensibly based on good earnings and land assets. Many paper companies announced profit increases arising from better sales of high quality paper. Several of those companies also have considerable land assets, particularly Honshu Paper, which owns land in metropolitan Tokyo.

But the underlying strength of the paper pulp companies seems to stem this time from news that the Emperor of Japan, at age 87, is unwell. The advent of a new emperor would necessitate the printing of new forms and documents and consequently boost paper companies' businesses.

Printing companies also gained on the same news. Dainippon Printing rose Y30 to Y2,650 while Toppan Printing rose Y30 to Y1,930.

The volume leaders, however, were once again the large capital steel and shipbuilding stocks. Market analysts say these are the main stocks being promoted by the large securities firms in an effort to start off their new fiscal term on a strong footing.

Nippon Steel was the most heavily traded issue at 181.5m shares, advancing Y12 to Y785. NKK, the second most heavily traded issue at 101.9m shares, rose Y16 to Y763. Kawasaki Steel, third busiest with 96m shares, was up Y16 at Y820.

Nippon Telephone and Telegraph (NTT), the nation's largest telecommunications enterprise, which announced a cutback in the number of shares being offered to the public in a third tranche, added only Y30,000 to Y2.23m. The number of shares was reduced from 1.95m to 1.5m as the Ministry of Finance judged that the large offer would have further dampening influence on the market.

In Osaka, equities were active, with volumes rising to 136m shares compared with 106m on Friday. The OSE average lost ground, falling 12.98 to 26,637.43 on profit-taking.

Nippon Steel led the Osaka market in volume terms, with 35.4m shares, followed by Kawasaki Steel with 14.1m. Nippon Steel gained Y16 to Y787 while Kawasaki increased Y23 to Y825.

The bond market in Tokyo suffered from a continuing lack of activity but the benchmark government 105th bond saw small-lot buying in the afternoon as the yen turned slightly stronger.

The yield on the benchmark issue closed at 5.095 per cent in large-lot transactions, down 0.015 of a point.

Roundup

TRADING was slim again in Asia Pacific markets, with investors unwilling to act in the absence of market-moving news.

HONG KONG suffered from its lowest turnover for over two years, with just HK$230.5m worth of shares traded, and equities ended the day weaker.

The Hang Seng index shed 11.24 to 2,447.58 in bearish sentiment. Volumes were the smallest since July 14, 1986, when HK$204.7m worth of shares changed hands.

Hutchison topped the active list, closing steady at HK$8.10, followed by Swire A, which gained 13 cents to HK$16.90. Cheung Kong was unchanged at HK$7.

SINGAPORE was also quiet, with little news to stimulate trading. The Straits Times industrial index lost 2.41 to 1,062.52.

Turnover fell to 11.5m shares from 15.3m on Friday, with investors ignoring the small gains in Tokyo and New York.

A few Singapore-based blue chips and trustee stocks registered modest losses, and activity continued to focus on Malaysian speculative stocks and low-priced issues.

AUSTRALIA lost ground as leading gold and mining stocks followed the bullion price lower.

The All Ordinaries index dropped 20.4, or 1.3 per cent, to 1,539.5.

FT-ACTUARIES WORLD INDICES

Jointly compiled by the Financial Times, Goldman, Sachs & Co., and Wood Mackenzie & Co. Ltd., in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 16 1988					THURSDAY SEPTEMBER 15 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (85)	142.15	–0.6	125.78	118.56	3.97	143.07	126.26	119.23	152.31	91.16	180.26
Austria (16)	86.84	+0.1	76.85	84.70	2.47	86.72	76.53	84.43	98.18	83.72	100.26
Belgium (63)	116.61	+0.8	103.19	114.60	4.40	115.74	102.14	113.60	139.89	99.14	127.98
Canada (126)	118.11	+0.2	104.51	104.64	3.25	117.91	104.06	104.47	128.91	107.06	135.04
Denmark (39)	124.69	+0.2	110.33	122.14	2.44	124.49	109.86	122.03	132.72	111.42	118.24
Finland (26)	116.21	+0.2	102.83	108.29	1.59	115.99	102.36	108.08	139.53	106.78	–
France (128)	94.37	+0.1	83.50	94.41	3.43	94.26	83.18	94.22	99.62	72.77	115.76
West Germany (100)	77.86	+0.1	68.90	75.94	2.44	77.77	68.63	75.79	80.79	67.78	101.89
Hong Kong (46)	99.99	–0.7	88.48	100.25	4.86	100.65	88.82	100.92	111.86	84.90	145.81
Ireland (18)	127.55	–0.7	112.87	125.55	3.79	128.46	113.36	126.35	144.25	104.60	143.50
Italy (100)	69.89	–1.0	61.84	73.02	2.76	70.57	62.28	73.63	81.74	62.99	88.75
Japan (456)	160.27	–0.2	141.82	136.01	0.54	160.60	141.73	135.63	177.27	133.61	142.53
Malaysia (36)	138.50	–0.4	122.55	141.94	2.75	138.99	122.65	142.33	154.17	107.83	171.01
Mexico (13)	153.18	+0.4	135.54	382.35	1.42	152.53	134.61	380.74	180.07	90.07	375.03
Netherland (38)	102.79	–0.9	90.96	99.34	4.81	103.73	91.54	100.04	110.66	95.23	124.19
New Zealand (20)	71.43	–1.0	63.20	62.25	6.13	72.16	63.68	62.43	84.05	64.42	138.87
Norway (25)	111.60	+1.7	98.75	104.78	2.86	109.73	96.84	103.29	132.23	98.55	184.40
Singapore (26)	121.89	–0.5	107.86	114.78	2.39	122.51	108.11	115.45	135.89	97.99	164.13
South Africa (60)	101.18	–2.9	89.53	87.59	4.90	104.15	91.92	87.57	139.07	101.18	182.45
Spain (43)	136.85	+0.2	121.10	129.75	3.48	136.63	120.58	129.75	164.47	130.73	165.14
Sweden (35)	115.00	–0.5	101.76	110.36	2.59	115.53	101.95	110.74	125.50	96.92	129.27
Switzerland (55)	75.09	–0.4	66.45	73.72	2.32	75.41	66.55	73.87	86.75	74.13	108.78
United Kingdom (322)	123.21	–0.4	109.02	109.02	4.74	123.69	109.16	109.16	141.18	120.66	158.01
USA (580)	110.55	+0.9	97.82	110.55	3.61	109.60	96.72	109.60	112.47	99.19	128.68
Europe (1008)	101.75	–0.3	90.03	95.44	3.86	102.01	90.02	95.52	110.82	97.01	128.88
Pacific Basin (669)	157.15	–0.2	139.06	133.87	0.75	157.52	139.01	133.56	172.26	130.81	144.08
Euro–Pacific (1677)	135.00	–0.2	119.46	118.55	1.70	135.32	119.42	118.39	147.53	120.36	138.05
North America (706)	110.94	+0.8	98.17	110.21	3.59	110.03	97.10	109.30	113.29	99.78	129.02
Europe Ex. UK (686)	88.29	–0.2	78.13	87.14	3.14	88.42	78.03	87.19	92.99	80.27	110.78
Pacific Ex. Japan (213)	119.62	–0.7	105.85	107.04	4.24	120.41	106.26	107.66	128.27	87.51	163.32
World Ex. US (1876)	134.09	–0.2	118.65	117.88	1.77	134.43	118.63	117.73	146.49	120.26	138.58
World Ex. UK (2134)	125.09	+0.2	110.69	115.98	2.15	124.88	110.21	115.49	131.77	111.77	132.43
World Ex. So. Af. (2396)	125.06	+0.1	110.66	115.50	2.37	124.89	110.21	115.07	132.39	113.26	134.39
World Ex. Japan (2000)	107.97	+0.4	95.54	104.84	3.72	107.59	94.95	104.37	112.43	100.00	130.99
The World Index (2456)	124.91	+0.1	110.53	115.31	2.38	124.76	110.10	114.88	132.38	113.37	134.70

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).
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